

**CITY OF MUSKEGON,  
MICHIGAN**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2003**

**Prepared By**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**City of Muskegon**  
**December 31, 2003**

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**CITY OF MUSKEGON, MICHIGAN  
LIST OF PRINCIPAL OFFICIALS**

**December 31, 2003**

**ELECTED OFFICIALS**

Mayor-Commissioner. . . . . Steve Warmington  
At Large

Vice Mayor-Commissioner. . . . . William Larson  
At Large

Commissioner. . . . . Chris Carter  
Ward 1

Commissioner. . . . . Clara Shepherd  
Ward 2

Commissioner. . . . . Lawrence O. Spataro  
Ward 3

Commissioner. . . . . Robert A. Schweifler  
Ward 4

Commissioner. . . . . Stephen J. Gawron  
At Large

**APPOINTED OFFICIALS**

City Manager. . . . . Bryon L. Mazade

City Attorney. . . . . John C. Schrier

Director of Finance. . . . . Timothy J. Paul

March 15, 2004

Honorable Mayor and Members of the  
City Commission  
City of Muskegon  
Muskegon, Michigan 49443

Ladies and Gentlemen:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the City of Muskegon, Michigan, for the year ended December 31, 2003, in accordance with the requirements of state law. The financial statements are presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This annual report is formatted to comply with the financial reporting model developed by the Government Accounting Standards Board (GASB) Statement 34.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with the financial statements. The City of Muskegon's MD&A can be found immediately following the independent auditor's report.

The City has elected not to report historic infrastructure or related depreciation costs in this report as allowed by GASB 34. GASB 34 requires that this information be included in the City's CAFR by the year ending December 31, 2007; the City, however, intends to report this information in its 2004 CAFR.

The Comprehensive Annual Financial Report is prepared by the City's Finance Department and responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operation of the City as measured by the financial activity of its various funds and component units; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's finances have been included. Hoffman, Steensma & Plamondon, P.L.C., Certified Public Accountants, performed the independent audit of all accounts of the City as required by state law, and their report

and unqualified opinion is presented as the first component of the financial section of this report.

## **THE CITY AND THE REGION**

The City of Muskegon is located in Western Michigan on the shores of Lake Michigan. The City covers eighteen square miles and, with a population of 40,105, is the largest city on the Eastern Shore of Lake Michigan. The City is located within the County of Muskegon and is part of the vibrant Grand Rapids-Muskegon-Holland metropolitan statistical area (MSA):

- According to Site Selection magazine's 2001 annual nationwide survey of corporate locations, the Grand Rapids-Muskegon-Holland MSA ranked seventh in the country with 223 new and expanded facilities.
- With West Michigan's diverse industrial sector and excellent intergovernmental cooperation, the area has ranked in the top 30 out of 315 metropolitan communities in Industry Week's World Class Community annual survey for five consecutive years.
- The Muskegon-Grand Rapids-Holland area finished 13th in a national ranking of the 50 best large metropolitan areas for starting and growing a business. The survey produced annually by Cognetics Inc., a Waltham, Massachusetts-based economics research firm, compares the business climates in communities by analyzing significant new business starts and looking at the growth rate of young businesses.
- West Michigan is a fun place to be! Places Rated Almanac ranked the area No. 3 in the fun and recreation category.
- Muskegon's Pere Marquette beach has been nationally recognized as one of the best beaches in the nation by USA Today and was the only beach in the state to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches. In April 2003, The Detroit News voted Muskegon's Beaches #1 as the "Best Place to Run Sand Between Your Toes".
- Muskegon has become a cultural hub for West Michigan with many museums and live performances. The Muskegon Museum of Art has the third best art collection in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian ages. The Fire Barn Museum takes visitors back to a 1890s Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of The Frauenthal Center for the Performing Arts to life throughout the year. The Great Lakes Naval Memorial and Museum allows visitors to step back in time and tour the USS Silversides, a surviving World War II submarine.

The City operates under a Commission-Manager form of government and provides the full range of traditional municipal services. These include police and fire protection,

parks and recreation activities, public works operations, water and sewer services, parking facilities, solid waste collection, community development and general administrative support services. The City also provides treated water to a number of surrounding communities on a wholesale basis.

### **COMPONENT UNITS**

The City has one blended component unit, the Muskegon Building Authority/Tax Increment Finance Authority, a separate legal entity that uses the proceeds of its tax-exempt bonds to finance construction of certain general fixed assets for the City. The bonds are secured by lease agreement with the City and retired from lease payments made by the City.

The City also has discretely presented component units. These entities are discretely presented in the financial statements as the governing boards of the component units are substantially the same as the City's governing board:

- The Downtown Development Authority for redevelopment activities in the City's downtown area. Bonds are repaid through tax increment revenues generated by development within the Authority's boundaries.
- The Local Development Finance Authority issues bonds for development activities in the City's industrial park and high-tech park areas. Bonds are repaid through tax increment revenues generated by development within the Authority's boundaries. The City has created three separate local development finance authority districts under the aegis of the Local Development Finance Authority (LDFA).

### **LOCAL ECONOMIC CONDITION AND OUTLOOK**

Muskegon is fortunate to have a diverse local economy. The manufacturing sector is strong in the areas of aerospace, chemicals, plastics, metals and castings, office furniture and automotive parts. The City of Muskegon also benefits from being home to large government, corrections, healthcare, and educational employers. The local income tax withholdings remitted by these employers help provide stability to City finances in times of economic weakness. According to the W.E. Upjohn Institute, employment growth for Muskegon County in 2003 was 0.2% (measured by place of employment) and 1.8% (measured by place of residence). The employment growth rate is projected to be -0.1% in 2004 rebounding to 0.9% in 2005.

### **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

Among the City's major initiatives and accomplishments in 2003 were the following:

- Lake Express LLC announced new high-speed cross-lake ferry service linking Muskegon with Milwaukee, Wisconsin was announced. Service will begin in June 2004 with three roundtrip lake crossings each day. The City assisted in this project by committing to provide parking and certain site improvements at an estimated

cost of \$1.2 million. Conservative projections show that at least 100,000 visitors will disembark the ferry in Muskegon each season.

- Work was completed on infrastructure improvements for “Edison Landing” a state-designated “Smartzone” on Muskegon’s downtown lakefront. The Muskegon Smartzone initiative is a joint venture between the Michigan Economic Development Corporation, Grand Valley State University (GVSU), the City of Muskegon, and private developers. The site is anchored by GVSU’s *Michigan Alternate Resource Energy Center (MAREC)* which was opened in November 2003. This facility focuses academic and private sector resources on the development and commercialization of alternate energy sources. The City, through its Local Development Finance Authority, assisted in this project through issuance of \$4.725 million of bonds for construction of MAREC. When complete, the Muskegon Lakeshore Smartzone will include premier office space, retail, and residential living.
- Work continued on construction of the \$12 million extension of Shoreline Drive. When completed in July 2004, the new road will be designated as *Business US-31* and will route 23,000 vehicles along the city’s downtown waterfront and the previously mentioned Edison Landing project each day.
- Demolition work was started on the former Downtown Mall property. When cleared, this 21-acre site will be developed as mixed-use residential and commercial site. The Downtown Muskegon Development Corporation is spearheading the development and the City is assisting through the granting of a tax-free “renaissance zone” status and through limited financial participation in the construction of necessary infrastructure improvements.
- Work began on renovation of a former office equipment manufacturing plant into loft-style apartment/condominium units. The plant comprises nearly one million square feet of space and is well suited for residential living being located directly across from the downtown municipal marina and waterfront.

## **OTHER INFORMATION**

### **INTERNAL ACCOUNTING CONTROLS**

The City’s management is responsible for establishing and maintaining an internal control structure that is designed to ensure adequate protection of the City’s assets from loss, theft, or misuse, and adequate accounting data to allow for preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions. Also, in conjunction with this year's audit, the City's independent auditors implemented new procedures and tests in accordance with Statement on Auditing Standards (SAS) No. 99 *Consideration of Fraud in a Financial Statement Audit*.

## BUDGETARY CONTROL

Budgetary control is maintained through an annual budget resolution passed by the City Commission. Budgetary control at the functional level is maintained by review of estimated expenditures prior to making purchases. Purchases that result in over expenditure of budget levels are not made until additional appropriations or budget changes are processed to make funds available.

Encumbrances are not recorded in the City's funds. The City does, however, utilize an informal monitoring system to facilitate budgetary control over proposed purchases. Essentially, this system entails the use of on-line budgetary information that details year-to-date "actual versus budgeted" expenditure comparisons by budget category. This information is accessible to appropriate personnel to enable them to ascertain the budget status of an expenditure category prior to authorizing additional purchases.

## DEBT ADMINISTRATION

At December 31, 2003, the total of City bonds and contractual debt outstanding (including discretely presented component unit debt) was \$31,778,823 as compared to \$34,024,914 at December 31, 2002. During the year, the Local Development Finance Authority (a component unit) called \$725,000 limited tax obligation bonds with available cash on hand. Also in 2003, the City issued \$1.575 million of capital improvement bonds for purposes of financing sidewalk improvements. During the year, Standard & Poor's affirmed the City's general obligation debt rating of **A**.

## CASH MANAGEMENT AND INVESTMENTS

Temporarily idle cash from the City's various funds is invested through management of a common pooled cash and investments system. Maturity of investments are timed to meet the City's cash needs. Investment instruments generally consisted of U.S. Treasury Bills and Notes, government agency securities, high quality commercial paper and liquid money-market funds. Daily liquidity needs are managed by investments in money-market funds of all cash not needed in the common checking account to cover checks and other debits presented to the bank for payment that day. The City has contracted with MBIA Municipal Investors Service Corporation to provide full-time, non-discretionary management of the City's operating funds portfolio.

## PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The City of Muskegon sponsors two locally-administered defined benefit pension programs: the *Police and Fire Retirement System* for uniformed police and fire personnel and the *General Employees' Retirement System* for all other full-time employees. Each year an independent actuary engaged by the respective pension boards calculates the annual contributions that the city must make to ensure the retirement systems are able to meet current and future obligations. Both of the City's retirement systems are more than fifty years old and the City has a longstanding policy of fully funding each year's contribution requirements as determined by the actuary.

The City also provides post-retirement health benefits for retirees and their dependents. Since 1987, the City has also had an actuarial valuation of its post employment healthcare obligation performed each year and has followed a program of prefunding the obligation in the same manner as the pension obligations. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

## RISK MANAGEMENT

During 2003, the City continued participation in the Michigan Municipal Risk Management Authority (MMRMA), an intergovernmental cooperative self-insurance program. The MMRMA offers secure liability and property insurance coverage with premium stability and broad coverage at a competitive price. The City is insured up to \$15 million with a \$75,000 deductible per occurrence for general, auto, public official and law enforcement liability. Since the City began participating in the MMRMA program in March 1986, total incurred losses (i.e. exclusive of reinsurance recoveries) have been \$7,441,437.

## SINGLE AUDIT

The City is required to have an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations". Information related to the single audit, including the schedule of federal awards, findings and questioned costs, and auditors' reports on internal control over financial reporting and compliance with certain laws, regulations and grants are published in a separate single audit report. The financial activities related to the single audit requirements, such as the Community Development Block Grant Program, are included in this financial report.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of

Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the dedicated and efficient services of the staff of the Financial Services Division and the Muskegon County Print Shop. We would also like to thank the members of the City Commission for their continued interest and support in conducting the financial affairs of the City in a responsible and progressive manner and for their tireless efforts in working for the betterment of the Muskegon community.

Respectfully submitted,

Bryon L. Mazade  
City Manager

Timothy J. Paul  
Director of Finance









## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the  
City Commission of the City of Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan (the "City"), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Muskegon, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information on pages 19 through 29 and 79 through 84 respectively, are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, and statistical section are presented for purposes of additional analysis and are not a

required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2004, on our consideration of the City of Muskegon, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

March 15, 2004

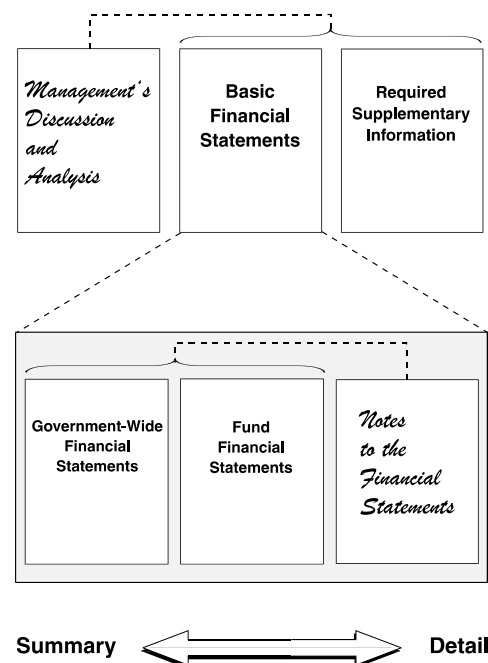
## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Muskegon's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2003. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$86,200,845 at December 31, 2003, an increase of \$10,570,908 (14.0%) over the prior year. Most of this increase is attributable to major street construction activities undertaken during the year. Of the total net assets, \$19,774,573 was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total expenses for both governmental and business-type activities were \$38,489,639, a slight increase of \$220,634 (0.5%) over 2002. Of the total expenses for 2003:
  - \$13,380,231 (35%) was paid through direct charges (such as water fees) to benefiting parties;
  - \$16,364,857 (43%) was paid by grants and contributions, primarily from the state and federal governments; and
  - The remaining portion was paid from state shared revenues, local income and property taxes, and other locally generated revenues.
- The City's general fund reported a fund balance of \$2,431,418, a decrease of \$376,578 from the prior year. The City also maintained a budget stabilization (or "rainy day") fund that reported a fund balance of \$1.5 million at December 31, 2003, a decrease of \$500,000 from 2002.
- The City issued \$1.575 million in capital improvement bonds during fiscal year 2003 to finance citywide sidewalk improvements.

Figure A-1, Required Components of the City's Annual Financial Report



### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting individual City operations in greater detail than the government-wide statements.
  - *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains available for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about activities the City operates *like private businesses*.
  - *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include detailed notes that explain some of the information in the financial statements and provide additional data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's overall financial health or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. However, to assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements include not only the City of Muskegon itself (known as the *primary government*), but also legally separate *component units* for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements of the City include the *governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, parks and recreation, and interest on long-term debt. Income taxes, property taxes and revenues from the State of Michigan finance most of these activities. The government-wide financial statements can be found beginning on page 32 of this report.

## Fund Financial Statements

The fund financial statements beginning on page 34 provide more detailed information about the City's major *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law or other legal requirements.
- The City Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the user determine

whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.
- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes two component units: Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA), which contains three sub-districts. Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** The Statement of Net Assets provides an overview of the City's assets, liabilities and net assets. Over time this can provide a good indicator of the City's fiscal health. A summary of the City's net assets follows:

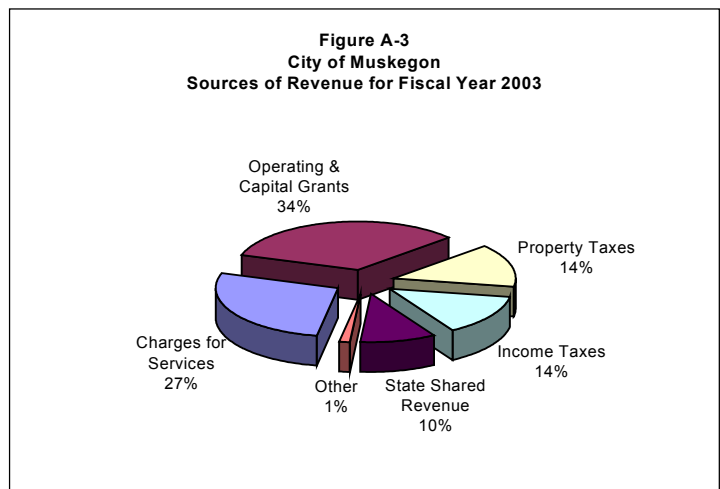
City's Net Assets  
(In thousands of dollars)



	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2003	2002	2003	2002	2003	2002	2003-2002
Current and other assets	\$32,654	\$29,530	\$13,539	\$15,059	\$46,193	\$44,589	3.6%
Capital assets	39,203	30,604	41,352	40,942	80,555	71,546	12.6%
<b>Total Assets</b>	<b>71,857</b>	<b>60,134</b>	<b>54,891</b>	<b>56,001</b>	<b>126,748</b>	<b>116,135</b>	<b>9.1%</b>
Long-term liabilities	8,615	8,231	15,328	16,881	23,943	25,112	-4.7%
Other liabilities	16,161	14,970	444	423	16,605	15,393	7.9%
<b>Total Liabilities</b>	<b>24,776</b>	<b>23,201</b>	<b>15,772</b>	<b>17,304</b>	<b>40,548</b>	<b>40,505</b>	<b>0.1%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	32,120	23,793	27,809	26,226	59,929	50,019	19.8%
Restricted	5,674	4,462	822	823	6,496	5,285	22.9%
Unrestricted	9,287	8,678	10,488	11,648	19,775	20,326	-2.7%
<b>Total Net Assets</b>	<b>\$47,081</b>	<b>\$36,933</b>	<b>\$39,119</b>	<b>\$38,697</b>	<b>\$86,200</b>	<b>\$75,630</b>	<b>14.0%</b>

The total net assets of the City were \$86,200,845 as of December 31, 2003. This represents an increase of \$10,570,908 over the prior year. This change is explained more fully below.

**Changes in net assets.** The City's total revenues were \$49,060,547. A significant portion (27%) of the City's revenue stream came from charges to users of specific services such as water or sewer (See Figure A-3). Another thirty-four percent came from various grants from the state and federal governments and twenty-eight percent was from local property and income taxes. The remainder was comprised of state-shared revenues (10%) and various other sources such as interest income.



The total cost of all City programs and services during 2003 was \$38,489,639. Seventy-eight percent of these costs were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining twenty-two percent represents business-type activities operated by the City, specifically, water, sewer and marina operations.

The difference between the City's total revenues and expenses (\$10,570,908) represents the increase in total net assets for 2003. The increase is primarily attributable to the receipt of large capital grants for street and other infrastructure improvements. The following table (*Changes in City's Net Assets*) further breaks down the change in total net assets into year-to-year changes in individual revenue and expense categories:

Changes in City's Net Assets  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2003	2002	2003	2002	2003	2002	2003-2002
Program revenues							
Charges for services	\$4,917	\$4,506	\$8,463	\$8,261	\$13,380	\$12,767	4.8%
Operating grants and contributions	5,614	5,497	-	500	5,614	5,997	-6.4%
Capital grants and contributions	10,495	5,383	256	-	10,751	5,383	99.7%
General revenues							
Property taxes	7,029	7,176	-	-	7,029	7,176	-2.0%
Income taxes	6,645	6,877	-	-	6,645	6,877	-3.4%
State shared revenues	4,939	5,354	-	-	4,939	5,354	-7.8%
All other	719	1,069	(17)	105	702	1,174	-40.2%
<b>Total revenues</b>	<b>40,358</b>	<b>35,862</b>	<b>8,702</b>	<b>8,866</b>	<b>49,060</b>	<b>44,728</b>	<b>9.7%</b>
Governmental activities expenses							
Public representation	888	986	-	-	888	986	-9.9%
Administrative services	1,228	1,287	-	-	1,228	1,287	-4.6%
Financial services	1,843	1,855	-	-	1,843	1,855	-0.6%
Public safety	11,583	11,576	-	-	11,583	11,576	0.1%
Public works	2,947	2,830	-	-	2,947	2,830	4.1%
Leisure services	3,042	3,009	-	-	3,042	3,009	1.1%
Planning and economic development	3,371	4,015	-	-	3,371	4,015	-16.0%
Highways, streets and bridges	3,483	2,881	-	-	3,483	2,881	20.9%
General administration	1,601	1,750	-	-	1,601	1,750	-8.5%
Interest on long-term debt	224	308	-	-	224	308	-27.3%
Business-type activities expenses							
Water	-	-	4,538	4,038	4,538	4,038	12.4%
Sewer	-	-	3,416	3,441	3,416	3,441	-0.7%
Marina	-	-	326	293	326	293	11.3%
<b>Total expenses</b>	<b>30,210</b>	<b>30,497</b>	<b>8,280</b>	<b>7,772</b>	<b>38,490</b>	<b>38,269</b>	<b>0.6%</b>
<b>Change in net assets</b>	<b>10,148</b>	<b>5,365</b>	<b>422</b>	<b>1,094</b>	<b>10,570</b>	<b>6,459</b>	<b>63.6%</b>
Net assets at beginning of year	36,933	31,568	38,697	37,603	75,630	69,171	9.3%
<b>Net assets at end of year</b>	<b>\$47,081</b>	<b>\$36,933</b>	<b>\$39,119</b>	<b>\$38,697</b>	<b>\$86,200</b>	<b>\$75,630</b>	<b>14.0%</b>

## Governmental Activities

The following table (*Net Cost of Selected City Functions*) presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and related intergovernmental aid). The net cost reflects what was funded by local tax dollars and other general resources.

- The operational cost of all governmental activities during 2003 was \$30,209,680. This is a slight decrease from 2002 as the City continued to reduce costs in response to economic conditions and falling state-shared revenues.
- The net cost that City taxpayers paid for these activities through local taxes was \$13,674,101, or about 45% of the total.
- The remaining cost was paid by user charges to those who directly benefit from the programs or by state and federal grants and contributions.
- Revenues for highways and streets function exceeded program costs because the City's historic infrastructure or related depreciation costs are not yet recorded. GASB 34 requires that this information be reported by the year ending December 31, 2007. The City plans to include this information in the 2004 CAFR.

**Net Cost of Selected City Functions**  
(in thousands of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2003	2002		2003	2002	
Governmental activities						
Public safety	\$11,583	\$11,576	0.1%	\$10,210	\$10,061	1.5%
Planning and economic development	3,371	4,015	-16.0%	(351)	363	-196.7%
Leisure services	3,042	3,009	1.1%	1,717	1,843	-6.8%
Highways and streets	3,483	2,881	20.9%	(9,220)	(4,773)	93.2%
Public works	2,947	2,830	4.1%	2,290	2,575	-11.1%
All other	5,784	6,186	-6.5%	4,538	5,042	-10.0%
Total governmental activities	\$30,210	\$30,497	-0.9%	\$9,184	\$15,111	-39.2%

## Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina operations) is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. For 2003 this goal was achieved with the City's total business-type activities realizing an overall increase in net assets of \$422,641. These funds were used to pay debt principal or invest in capital assets.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The analysis of the City's major funds begins on page 34 of the CAFR report, following the government-wide statements. The fund financial statements provide detailed information about the major City funds, not the City as a whole. The City's major funds for 2003 were the general fund and the major and local street funds.

## General Fund Budgetary Highlights

The general fund receives the most public attention since it is where local tax revenues are accounted for and where the most popular municipal services such as police, fire and parks are funded. The City reforecasts its general fund budget on a quarterly basis to take into account changing economic conditions and policy priorities. The quarterly budget reforecasts were particularly relevant in 2003 due to the turbulent state and national economies. A \$500,000 transfer from the City's rainy day fund was needed at year-end to offset revenue losses, particularly state shared revenues. The following table shows the general fund year-end fund balance for the last four years:

Year	Year-End Fund Balance	Year-to-Year % Change	Prior Year's Expenditures	Fund Balance as a % of Prior Year Expenditures (Policy Target = 10%)
2003	\$2,431,418	-13.4%	\$ 23,971,536	10.14%
2002	2,807,996	-11.2%	23,235,978	12.08%
2001	3,162,368	+7.1%	22,232,657	14.22%
2000	2,951,735	-	22,011,881	13.41%

Actual 2003 general fund expenditures were \$269,150 below original budget amount. Most of this variance occurred in the areas of salaries, benefits and other operating costs as the City continued to manage its way through a difficult economy.

General fund revenues in 2003 were \$305,302 less than originally budgeted:

- Most significantly, state shared revenues were \$611,441 under original budget due to faltering state sales tax collections and cutbacks by the state.
- As noted, a \$500,000 transfer from the budget stabilization fund was needed to help offset this revenue shortfall.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2003, the City and its component units had invested \$84,738,825 in a wide range of capital assets, including land, equipment, buildings, water and sewer lines, and vehicles. In addition the City reports infrastructure assets, including roads, bridges, sidewalks, and storm sewers acquired or improved since the start of 2002. In future years, the City will also include historical infrastructure asset investments made between 1980 and 2002. Note C of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

The City's fiscal year 2004 capital budget anticipates spending \$24,340,556 for capital projects principally street and water system improvements. These improvements will be funded through grants, bond proceeds, and operating revenues. Accordingly, revenue bonds in the amount of \$13.9 million were issued in March 2004 to finance improvements to the City's water filtration plant.

#### **Bond Ratings**

The City's limited full faith and credit bonds (i.e. bonds guaranteed by the City's general taxing powers) presently carry a Standard & Poors rating of "A".

### **Long-Term Debt**

At year-end the City had \$22,297,288 in bonds and notes outstanding as shown below. During 2003, new capital improvement bonds in the amount of \$1,575,000 were issued for the purpose of financing citywide sidewalk improvements. Additional information concerning the City's long-term debt is presented in Note D to the basic financial statements.

City's Long Term Debt (In thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2003-2002
	2003	2002	2003	2002	2003	2002	
Bonds and loans payable	\$7,159	\$6,857	\$15,138	\$16,695	\$22,297	\$23,552	-5.3%
Long-term absences payable	1,456	1,374	190	186	1,646	1,560	5.5%
Total bonds & notes payable	\$8,615	\$8,231	\$15,328	\$16,881	\$23,943	\$25,112	-4.7%

In addition to the City's debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling \$9,386,403 at year-end as shown in the table below. During 2003, \$725,000 of series 1994 LDFA bonds with relatively high interest rates were called using available cash on hand. Debt issued by the component units is typically secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health. Additional information concerning component units' long-term debt is presented in Note D to the basic financial statements and is summarized as follows:

Component Unit Long Term Debt (In thousands of dollars)							
	Downtown Finance Authority		Local Development Finance Authority		Total		Total Percentage Change 2003-2002
	2003	2002	2003	2002	2003	2002	
Bonds and loans payable	\$4,670	\$4,840	\$4,716	\$5,541	\$9,386	\$10,381	-9.6%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City depends on five major sources of income to fund operations: local income taxes, local property taxes, state-shared revenues, state street funds, and water and sewer utility fees. Together, these five income sources accounted for \$26,801,831, or 82% of the City's 2003 non-grant revenues. Clearly, discussion of the City's financial outlook must center on these major income sources.

### *Local Income Tax*

The City income tax was approved by voters in 1993 and now is the primary source of funding for police, fire, parks and other general operations. The tax rate is 1% on city residents and ½ of 1% on non-residents who work in the city. The income tax provides key advantages for an urban core city such as Muskegon. First, it allows the City to regionalize its tax structure by taxing non-residents who work here and use City services and by allowing the City to benefit from development occurring outside the City limits. A second major advantage is that it generates revenue from employees working at hospitals, government agencies, colleges and other institutions traditionally exempted from paying property taxes. This is particularly important for Muskegon since six of the ten largest income tax sources are such institutions. Income tax revenues declined from \$6,692,609 in 2002 to \$6,542,355 for 2003 (-2.2%) due to general economic

conditions. For 2004, the City is conservatively estimating income tax revenues at \$6,450,000. The following table shows the resident and non-resident composition of the income tax base:

Category	Number of Payers	2003 Amount Paid	Percent of Total	Average Amount Paid
City Resident	8,439	\$ 2,442,102	37%	\$ 289
Non-Resident	14,904	3,598,295	55%	241
Corporate	1,700	501,958	8%	295
Total	25,043	\$6,542,355	100%	\$ 261

### *Local Property Tax*

The City's 2003 property tax millage consisted of 10 mills: 7 mills for general operations and 3 mills levied for sanitation. City charter authorizes a general operating millage up to 10 mills and state law permits a maximum sanitation millage of 3 mills. For 2004, the City's operating millage was adjusted to 7.5 mills while the sanitation millage was reduced to 2.5 mills. This change was made to reflect cost efficiencies in the sanitation program and also to forestall the possibility of future automatic millage rollbacks due assessment growth. Millage rates are applied to the taxable value of property in the City to arrive at the City's property tax levy. As shown below, taxable values have grown marginally over the last few years.

Year	Real	Personal	Total	Percent Change
2003	\$661,692,712	\$177,348,400	\$839,041,112	+1.6%
2002	638,624,250	187,393,600	826,017,850	+1.6%
2001	601,420,300	211,503,600	812,923,900	+12.3%
2000	543,897,900	180,164,900	724,062,800	-

### *State Shared Revenues*

State shared sales tax revenues represent 21% of total general fund revenue and other financing sources. The City's state shared revenue allocation is made up of two approximately equal parts. The constitutional component is a fixed percentage of total state sales tax collections that cannot be reduced by the legislature. The statutory component is determined by a complex formula and is subject to adjustment through the State's budget process. Both constitutional and statutory components depend, of course, on overall state sales tax collections. Over the last several years, state shared revenues have fallen sharply due to the faltering economy and to executive order budget cuts in the statutory share. The most recent data available from the state indicates that the state shared revenues will fall short of the City's original 2004 budget estimate. The City is in the process of making budget adjustments to address this shortfall. State shared revenue received by the City in recent years is summarized below:

Year	State Shared Revenues	Percent Change
2004 *	\$4,700,000	-4.8%
2004 **	5,000,000	+1.2%
2003	4,938,861	-7.8%
2002	5,353,987	-6.9%
2001	5,748,523	-
* Current revised budget amount		
** Original budget amount		

Continued erosion of the state shared revenue component constitutes the single biggest threat to the stability of City finances at this time. Due to the local income tax, Muskegon is somewhat less dependent on this revenue source than most Michigan cities.

### *Street Funds*

The State also returns to the City a share of gasoline tax revenues to help fund maintenance and construction of major and local streets in the City. These revenues have not suffered to the extent that general state sales tax revenues have:

Year	Street Revenues from State	Percent Change
2004*	\$3,314,260	+4.7%
2003	3,166,406	-1.7%
2002	3,220,625	+1.9%
2001	3,159,325	-
* Budgeted amount		

### *Water and Sewer Fees*

From a government-wide entity perspective, combined water and sewer fees represent the City's largest income source totaling \$8,188,869 in 2003. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. For 2004, it is anticipated that sewer rates will remain unchanged. Water rates were increased January 1, 2004 to help finance major improvements at the water filtration plant. Muskegon's water and sewer rates consistently rank among the lowest in the state.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or wish to obtain separate financial statements for the City's component units, contact the City's Finance Department at (231) 724-6713 or by e-mail ([finance@shorelinecity.com](mailto:finance@shorelinecity.com)).

City of Muskegon

STATEMENT OF NET ASSETS

December 31, 2003

	Primary Government				
	Governmental Activities	Business-Type Activities	Total	Component Units	Total Reporting Entity
<b>ASSETS</b>					
Cash and cash equivalents (note A and B)	\$ 8,721,894	\$ 3,646,033	\$ 12,367,927	\$ 925,999	\$ 13,293,926
Investments (note A and B)	6,824,653	-	6,824,653	-	6,824,653
Receivables (net of allowance for uncollectibles) (note A)					
Accounts and loans	1,773,505	2,249,014	4,022,519	-	4,022,519
Special assessments					
Current	571,721	-	571,721	-	571,721
Non-current	3,896,039	-	3,896,039	-	3,896,039
Taxes					
Property	6,056,493	-	6,056,493	707,651	6,764,144
Income	2,533,649	-	2,533,649	-	2,533,649
Internal balances	(1,147,985)	1,147,985	-	-	-
Due from components units (note E)	177,304	-	177,304	-	177,304
Due from other governmental units	3,009,112	540,535	3,549,647	-	3,549,647
Inventories (note A)	10,404	93,364	103,768	-	103,768
Prepaid items (note A)	151,055	22,767	173,822	-	173,822
Restricted cash and cash equivalents (note A and B)	-	822,559	822,559	-	822,559
Deferred debt expense (note A)	76,433	143,455	219,888	135,793	355,681
Contract receivable (note A)	-	3,422,522	3,422,522	-	3,422,522
Wastewater facility rights (net of accumulated amortization of \$2,012,722) (note A)	-	1,451,372	1,451,372	-	1,451,372
	32,654,277	13,539,606	46,193,883	1,769,443	47,963,326
Capital assets (note A and C)					
Land, construction in progress and other assets not being depreciated	22,939,199	9,504,729	32,443,928	400,000	32,843,928
Other capital assets, net of depreciation	16,263,521	31,847,505	48,111,026	3,783,871	51,894,897
Total capital assets	39,202,720	41,352,234	80,554,954	4,183,871	84,738,825
TOTAL ASSETS	\$ 71,856,997	\$ 54,891,840	\$ 126,748,837	\$ 5,953,314	\$ 132,702,151
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,059,956	\$ 190,287	\$ 1,250,243	\$ -	\$ 1,250,243
Accrued payroll	352,786	53,307	406,093	-	406,093
Accrued interest	26,700	72,000	98,700	48,400	147,100
Due to primary government (note E)	-	-	-	177,304	177,304
Due to other governmental units	-	128,647	128,647	-	128,647
Deferred revenue (note A)	14,721,112	-	14,721,112	591,709	15,312,821
	16,160,554	444,241	16,604,795	817,413	17,422,208
Long-term liabilities (note A and D)					
Due within one year					
Bonds payable	1,335,000	1,527,267	2,862,267	180,000	3,042,267
Compensated absences	242,658	31,659	274,317	-	274,317
Due in more than one year					
Bonds payable	5,824,019	13,611,002	19,435,021	9,206,403	28,641,424
Compensated absences	1,213,294	158,298	1,371,592	-	1,371,592
Total long-term liabilities	8,614,971	15,328,226	23,943,197	9,386,403	33,329,600
Total liabilities	24,775,525	15,772,467	40,547,992	10,203,816	50,751,808
Net assets (note A)					
Invested in capital assets, net of related debt	32,120,134	27,808,792	59,928,926	-	59,928,926
Restricted for					
Streets and highways	4,336,952	-	4,336,952	-	4,336,952
Debt service	127,255	822,559	949,814	-	949,814
Perpetual care					
Expendable	63,798	-	63,798	-	63,798
Non-expendable	1,146,782	-	1,146,782	-	1,146,782
Unrestricted	9,286,551	10,488,022	19,774,573	(4,250,502)	15,524,071
Total net assets	47,081,472	39,119,373	86,200,845	(4,250,502)	81,950,343
TOTAL LIABILITIES AND NET ASSETS	\$ 71,856,997	\$ 54,891,840	\$ 126,748,837	\$ 5,953,314	\$ 132,702,151

The accompanying notes are an integral part of this statement.

City of Muskegon

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	Total Reporting Entity
					Governmental Activities	Business-Type Activities	Total		
Primary government									
Governmental activities									
Public representation services	\$ 887,496	\$ 204,435	\$ -	\$ -	\$ (683,061)	\$ -	\$ (683,061)	\$ -	\$ (683,061)
Administrative services	1,227,407	292,665	33,000	-	(901,742)	-	(901,742)	-	(901,742)
Financial services	1,842,653	591,174	-	-	(1,251,479)	-	(1,251,479)	-	(1,251,479)
Public safety	11,583,282	1,162,175	211,597	-	(10,209,510)	-	(10,209,510)	-	(10,209,510)
Public works	2,947,194	266,045	-	391,055	(2,290,094)	-	(2,290,094)	-	(2,290,094)
Leisure services	3,042,315	1,026,822	52,265	245,987	(1,717,241)	-	(1,717,241)	-	(1,717,241)
Planning and economic development	3,371,472	977,448	2,077,731	667,065	350,772	-	350,772	-	350,772
Highways, streets and bridges	3,483,032	273,893	3,239,035	9,190,510	9,220,406	-	9,220,406	-	9,220,406
General administration	1,601,112	122,447	-	-	(1,478,665)	-	(1,478,665)	-	(1,478,665)
Interest on long-term debt	223,717	-	-	-	(223,717)	-	(223,717)	-	(223,717)
Total governmental activities	30,209,680	4,917,104	5,613,628	10,494,617	(9,184,331)	-	(9,184,331)	-	(9,184,331)
Business-type activities									
Water	4,538,186	4,131,126	-	-	-	(407,060)	(407,060)	-	(407,060)
Sewer	3,416,372	4,057,743	-	-	-	641,371	641,371	-	641,371
Marina	325,401	274,258	-	256,612	-	205,469	205,469	-	205,469
Total business-type activities	8,279,959	8,463,127	-	256,612	-	439,780	439,780	-	439,780
Total primary government	\$ 38,489,639	\$ 13,380,231	\$ 5,613,628	\$ 10,751,229	(9,184,331)	439,780	(8,744,551)	-	(8,744,551)
Component units									
Local Development Finance Authority I	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
Local Development Finance Authority II	544,148	-	-	-	-	-	-	(544,148)	(544,148)
Local Development Finance Authority III	231,786	-	-	-	-	-	-	(231,786)	(231,786)
Downtown Development Authority	276,312	-	-	-	-	-	-	(276,312)	(276,312)
Total component units	\$ 1,052,246	\$ -	\$ -	\$ -	-	-	-	(1,052,246)	(1,052,246)
General revenues									
Property taxes					7,029,393	-	7,029,393	1,796,169	8,825,562
Income taxes					6,644,708	-	6,644,708	-	6,644,708
State shared revenues					4,938,861	-	4,938,861	-	4,938,861
Cable franchise fees					265,532	-	265,532	-	265,532
Investment earnings					281,492	71,628	353,120	70,291	423,411
Miscellaneous					109,620	-	109,620	-	109,620
Gain (loss) on sale of capital assets					62,992	(88,767)	(25,775)	-	(25,775)
Total general revenues					19,332,598	(17,139)	19,315,459	1,866,460	21,181,919
Change in net assets					10,148,267	422,641	10,570,908	814,214	11,385,122
Net assets at beginning of year					36,933,205	38,696,732	75,629,937	(5,064,716)	70,565,221
Net assets at end of year					\$ 47,081,472	\$ 39,119,373	\$ 86,200,845	\$ (4,250,502)	\$ 81,950,343

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Governmental Funds**

**BALANCE SHEET**

**December 31, 2003**

	General	Major Street and Trunkline	Local Street	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents (note A and B)	\$ -	\$ 322,624	\$ -	\$ 5,307,819	\$ 5,630,443
Investments (note A and B)	5,531,111	-	-	1,293,542	6,824,653
Receivables (net of allowance for uncollectibles) (note A)					
Accounts and loans	941,906	21,725	-	682,641	1,646,272
Special assessment	-	1,394,474	1,767,983	1,305,303	4,467,760
Taxes					
Property	5,998,534	-	-	57,959	6,056,493
Income	1,558,649	-	-	-	1,558,649
Due from other funds (note E)	1,036,348	8,081,356	-	177,313	9,295,017
Due from component units (note E)	177,304	-	-	-	177,304
Due from other governmental units	840,418	424,214	512,205	1,232,275	3,009,112
Prepaid items (note A)	100,642	16,085	4,262	2,235	123,224
<b>TOTAL ASSETS</b>	<b>\$ 16,184,912</b>	<b>\$ 10,260,478</b>	<b>\$ 2,284,450</b>	<b>\$ 10,059,087</b>	<b>\$ 38,788,927</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 254,003	\$ 342,398	\$ 57,820	\$ 92,805	\$ 747,026
Accrued payroll	297,228	14,674	11,085	6,178	329,165
Due to other funds (note E)	6,239,088	-	493,226	1,450,122	8,182,436
Deferred revenue (note A)	6,963,175	8,490,298	1,576,678	1,587,000	18,617,151
<b>Total liabilities</b>	<b>13,753,494</b>	<b>8,847,370</b>	<b>2,138,809</b>	<b>3,136,105</b>	<b>27,875,778</b>
<b>Fund balances (note A)</b>					
Reserved for					
Prepaid items	100,642	16,085	4,262	2,235	123,224
Endowments	10,000	-	-	1,136,782	1,146,782
Unreserved					
Designated, reported in (note K)					
Capital project funds	-	-	-	322,568	322,568
Undesignated, reported in					
General fund	2,320,776	-	-	-	2,320,776
Special revenue funds	-	1,397,023	141,379	1,716,344	3,254,746
Debt service funds	-	-	-	153,955	153,955
Capital projects funds	-	-	-	3,527,300	3,527,300
Permanent fund	-	-	-	63,798	63,798
<b>Total fund balances</b>	<b>2,431,418</b>	<b>1,413,108</b>	<b>145,641</b>	<b>6,922,982</b>	<b>10,913,149</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,184,912</b>	<b>\$ 10,260,478</b>	<b>\$ 2,284,450</b>	<b>\$ 10,059,087</b>	<b>\$ 38,788,927</b>

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Governmental Funds**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

**December 31, 2003**

Total governmental fund balances	\$	10,913,149
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Governmental capital assets	\$ 49,899,984	
Less accumulated depreciation	<u>(13,567,337)</u>	36,332,647

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Bond issuance costs	76,433	
Additional income taxes receivable	<u>975,000</u>	1,051,433

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Governmental bonds payable	(7,151,900)	
Bond premium	(7,119)	
Accrued interest on the bonds	(26,700)	
Compensated absences (sick pay and vacations)	<u>(1,362,097)</u>	(8,547,816)

Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.

3,896,039

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.

Net assets of the internal service funds	4,656,017	
Amounts due to business-type funds from internal service funds	<u>(1,219,997)</u>	3,436,020

Net assets of governmental activities	\$	<u><u>47,081,472</u></u>
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The accompanying notes are an integral part of this statement.

**City of Muskegon  
Governmental Funds**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**Year Ended December 31, 2003**

	General	Major Street and Trunkline	Local Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 13,246,744	\$ -	\$ -	\$ 60,054	\$ 13,306,798
Special assessments	-	358,650	240,781	373,436	972,867
Licenses and permits	1,108,780	-	-	-	1,108,780
Federal grants	211,597	1,275,245	246,000	2,665,764	4,398,606
State grants	23,264	4,561,233	1,120,771	669,930	6,375,198
State shared revenues	4,938,861	2,499,757	666,649	-	8,105,267
Charges for services	2,240,866	439,219	-	627,522	3,307,607
Interest and rental income	189,485	169,533	15,133	142,331	516,482
Fines and fees	471,682	-	-	-	471,682
Other	331,195	56	586	228,335	560,172
<b>Total revenues</b>	<b>22,762,474</b>	<b>9,303,693</b>	<b>2,289,920</b>	<b>4,767,372</b>	<b>39,123,459</b>
<b>Expenditures</b>					
Current					
Public representation services	889,188	-	-	-	889,188
Administrative services	785,966	-	-	-	785,966
Financial services	1,846,558	-	-	-	1,846,558
Public safety	11,437,516	-	-	1,971	11,439,487
Public works	2,731,241	-	-	-	2,731,241
Highways, streets and bridges	-	8,340,206	3,459,811	-	11,800,017
Leisure services	2,624,275	-	-	-	2,624,275
Planning and economic development	987,097	-	-	-	987,097
Other governmental functions	659,930	-	-	929,642	1,589,572
Capital outlay	285,310	-	-	4,211,321	4,496,631
Debt services					
Principal	195,000	550,000	-	525,000	1,270,000
Interest	22,397	97,425	-	111,085	230,907
<b>Total expenditures</b>	<b>22,464,478</b>	<b>8,987,631</b>	<b>3,459,811</b>	<b>5,779,019</b>	<b>40,690,939</b>
Excess (deficiency) of revenues over expenditures	297,996	316,062	(1,169,891)	(1,011,647)	(1,567,480)
<b>Other financing sources (uses)</b>					
Transfers in	566,282	-	1,370,000	804,460	2,740,742
Sale of property	-	-	-	282,080	282,080
Bonds issued	-	-	-	1,575,000	1,575,000
Premium on bonds	-	-	-	3,009	3,009
Transfers out	(1,240,856)	(525,049)	(64,169)	(910,668)	(2,740,742)
<b>Total other financing sources (uses)</b>	<b>(674,574)</b>	<b>(525,049)</b>	<b>1,305,831</b>	<b>1,753,881</b>	<b>1,860,089</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(376,578)	(208,987)	135,940	742,234	292,609
Fund balances at beginning of year	2,807,996	1,622,095	9,701	6,180,748	10,620,540
Fund balances at end of year	\$ 2,431,418	\$ 1,413,108	\$ 145,641	\$ 6,922,982	\$ 10,913,149

The accompanying notes are an integral part of this statement.

**City of Muskegon**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**December 31, 2003**

Net change in fund balances - total governmental funds	\$	292,609
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 9,954,524	
Less current year depreciation	<u>(1,144,734)</u>	8,809,790

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bonds issued	(1,575,000)	
Bond issuance costs	41,344	
Amortization of premium and issuance costs	(8,500)	
Principal payments	1,270,000	
Change in accrued interest	4,150	
Change in long-term compensated absences	<u>(292,482)</u>	(560,488)

Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the statement of net assets	1,405,449
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Governmental funds recognize income tax revenues when they are both measurable and available, that is collected during the current period or within two months after year end. However, they are recognized in full for the period they are earned in the statement of net assets.	(145,000)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.	<u>345,907</u>
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Change in net assets of governmental activities	\$	<u><u>10,148,267</u></u>
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The accompanying notes are an integral part of this statement.

**City of Muskegon  
Proprietary Funds**

**STATEMENT OF FUND NET ASSETS**

**December 31, 2003**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer	Water	Marina and Launch Ramp	Total	Internal Service
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents (note A and B)	\$ 1,046,328	\$ 2,599,705	\$ -	\$ 3,646,033	\$ 2,050,882
Accounts receivable	1,169,868	1,078,545	601	2,249,014	127,233
Due from other governmental units	-	540,535	-	540,535	-
Inventories (note A)	23,092	70,272	-	93,364	10,404
Prepaid items (note A)	10,258	11,770	739	22,767	27,831
Total current assets	2,249,546	4,300,827	1,340	6,551,713	2,216,350
Noncurrent assets					
Restricted cash and cash equivalents (note A and B)	-	822,559	-	822,559	-
Deferred debt expense (note A)	-	143,455	-	143,455	-
Contract receivable (note A)	3,422,522	-	-	3,422,522	-
Wastewater facility rights (net of accumulated amortization of \$2,012,722) (note A)	1,451,372	-	-	1,451,372	-
Capital assets (note A and C)					
Land, construction in progress and other assets not being depreciated	1,881,659	7,101,769	521,301	9,504,729	108,410
Other capital assets, net of depreciation	10,726,244	20,157,107	964,154	31,847,505	2,761,663
Total capital assets	12,607,903	27,258,876	1,485,455	41,352,234	2,870,073
Total noncurrent assets	17,481,797	28,224,890	1,485,455	47,192,142	2,870,073
<b>TOTAL ASSETS</b>	<b>\$ 19,731,343</b>	<b>\$ 32,525,717</b>	<b>\$ 1,486,795</b>	<b>\$ 53,743,855</b>	<b>\$ 5,086,423</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Current liabilities					
Current maturities of long-term debt	\$ 1,107,267	\$ 420,000	\$ -	\$ 1,527,267	\$ -
Accounts payable	34,154	151,119	5,014	190,287	312,930
Accrued payroll	13,571	38,576	1,160	53,307	23,621
Accrued interest	-	72,000	-	72,000	-
Due to other funds (note E)	-	-	72,012	72,012	-
Due to other governmental units	128,647	-	-	128,647	-
Compensated absences payable (note A)	44,955	140,885	4,117	189,957	93,855
Total current liabilities	1,328,594	822,580	82,303	2,233,477	430,406
Noncurrent liabilities (note A and D)					
Contracts payable-Muskegon County	5,886,923	-	-	5,886,923	-
Bonds payable (net of unamortized discount of \$93,654)	-	9,251,346	-	9,251,346	-
Less current maturities	(1,107,267)	(420,000)	-	(1,527,267)	-
Total noncurrent liabilities	4,779,656	8,831,346	-	13,611,002	-
Total liabilities	6,108,250	9,653,926	82,303	15,844,479	430,406
Net assets (note A)					
Invested in capital assets, net of related debt	8,172,352	18,150,985	1,485,455	27,808,792	2,870,073
Restricted for					
Debt service	-	822,559	-	822,559	-
Unrestricted	5,450,741	3,898,247	(80,963)	9,268,025	1,785,944
Total net assets	13,623,093	22,871,791	1,404,492	37,899,376	4,656,017
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,731,343</b>	<b>\$ 32,525,717</b>	<b>\$ 1,486,795</b>	<b>\$ 53,743,855</b>	<b>\$ 5,086,423</b>

Reconciliation to the statement of net assets

Total net assets of enterprise funds \$ 37,899,376

Some amounts reported for business-type  
activities in the statement of net assets are  
different because certain internal service fund  
assets and liabilities are included with business-  
type activities

1,219,997

Net assets of business-type activities \$ 39,119,373

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Proprietary Funds**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**Year Ended December 31, 2003**

	<b>Business-Type Activities Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina and Launch Ramp</b>	<b>Total</b>	<b>Internal Service</b>
Operating revenues					
Charges for services	\$ 4,021,244	\$ 4,045,086	\$ 263,880	\$ 8,330,210	\$ -
Charges to other funds	-	-	-	-	5,878,071
Other revenues	36,499	86,040	10,378	132,917	228,961
Total operating revenues	4,057,743	4,131,126	274,258	8,463,127	6,107,032
Operating expenses					
Operating and administrative	388,912	494,737	265,785	1,149,434	2,692,406
Insurance premiums and claims	-	-	-	-	3,497,569
Wastewater treatment	2,253,677	-	-	2,253,677	-
Filtration plant operations	-	1,086,457	-	1,086,457	-
Water distribution	-	1,952,814	-	1,952,814	-
Bad debts	6,865	5,682	-	12,547	-
Depreciation and amortization	667,831	615,470	61,308	1,344,609	704,264
Total operating expenses	3,317,285	4,155,160	327,093	7,799,538	6,894,239
Operating income (loss)	740,458	(24,034)	(52,835)	663,589	(787,207)
Nonoperating revenues (expenses)					
Investment income	19,739	51,889	-	71,628	26,476
Gain (loss) on sale of capital and other assets	-	(88,767)	-	(88,767)	15,053
State grants	-	-	256,612	256,612	-
Interest expense	(132,214)	(436,560)	-	(568,774)	-
Total nonoperating revenues (expenses)	(112,475)	(473,438)	256,612	(329,301)	41,529
Income (loss) before transfers	627,983	(497,472)	203,777	334,288	(745,678)
Transfers					
Transfers in	-	-	-	-	1,179,938
Change in net assets	627,983	(497,472)	203,777	334,288	434,260
Net assets at beginning of year	12,995,110	23,369,263	1,200,715	37,565,088	4,221,757
Net assets at end of year	\$ 13,623,093	\$ 22,871,791	\$ 1,404,492	\$ 37,899,376	\$ 4,656,017

Reconciliation to the statement of activities

Total change in net assets of enterprise funds \$ 334,288

Some amounts reported for business-type activities in the statements of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities

88,353

Change in net assets of business-type activities

\$ 422,641

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Proprietary Funds**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2003**

	<b>Business-Type Activities Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina and Launch Ramp</b>	<b>Total</b>	<b>Internal Service</b>
Cash flows from operating activities					
Receipts from customers	\$ 4,101,473	\$ 4,011,422	\$ 311,600	\$ 8,424,495	\$ 251,861
Receipts for internal services provided	-	-	-	-	5,878,085
Payments to suppliers	(1,559,605)	(1,365,315)	(204,389)	(3,129,309)	(5,198,059)
Payments to employees	(519,839)	(1,370,028)	(103,753)	(1,993,620)	(883,740)
Payments to internal service funds	(515,411)	(782,118)	(24,440)	(1,321,969)	(368,641)
Net cash provided by (used for) operating activities	1,506,618	493,961	(20,982)	1,979,597	(320,494)
Cash flows from noncapital financing activities					
Cash deficit	-	-	(111,547)	(111,547)	-
Transfers in	-	-	-	-	1,179,938
Net cash provided by (used for) noncapital financing activities	-	-	(111,547)	(111,547)	1,179,938
Cash flows from capital and related financing activities					
State grants	-	-	256,612	256,612	-
Acquisition and construction of capital assets	(1,106,572)	(994,987)	(124,083)	(2,225,642)	(501,804)
Proceeds from sale of capital assets	-	504,500	-	504,500	23,401
Principal paid on bonds	(1,151,091)	(405,000)	-	(1,556,091)	-
Interest paid on bonds	(132,214)	(417,559)	-	(549,773)	-
Net cash provided by (used for) capital and related financing activities	(2,389,877)	(1,313,046)	132,529	(3,570,394)	(478,403)
Cash flows from investing activities					
Interest and dividends on investments	19,739	51,889	-	71,628	26,476
Collections on contract receivable	677,897	-	-	677,897	-
Net cash provided by investing activities	697,636	51,889	-	749,525	26,476
Net increase (decrease) in cash and cash equivalents	(185,623)	(767,196)	-	(952,819)	407,517
Cash and cash equivalents at beginning of year	1,231,951	4,189,460	-	5,421,411	1,643,365
Cash and cash equivalents at end of year	\$ 1,046,328	\$ 3,422,264	\$ -	\$ 4,468,592	\$ 2,050,882
Reconciliation of cash and cash equivalents to the balance sheet					
Cash and cash equivalents	\$ 1,046,328	\$ 2,599,705	\$ -	\$ 3,646,033	\$ 2,050,882
Restricted cash and cash equivalents	-	822,559	-	822,559	-
	\$ 1,046,328	\$ 3,422,264	\$ -	\$ 4,468,592	\$ 2,050,882
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 740,458	\$ (24,034)	\$ (52,835)	\$ 663,589	\$ (787,207)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation and amortization	667,831	615,470	61,308	1,344,609	704,264
Bad debt	6,865	5,682	-	12,547	-
(Increase) decrease in					
Accounts receivable	43,730	(79,169)	37,342	1,903	(97,333)
Due from other governmental units	-	(40,535)	-	(40,535)	-
Inventories	(10,078)	(13,903)	-	(23,981)	(3,985)
Prepaid items	(1,694)	(1,587)	(75)	(3,356)	(4,092)
Increase (decrease) in					
Accounts payable	13,139	13,593	(67,224)	(40,492)	(132,799)
Accrued payroll	(937)	9,601	268	8,932	3,267
Due to other funds	-	-	-	-	(1,018)
Due to other governmental units	52,952	-	-	52,952	-
Compensated absences payable	(5,648)	8,843	234	3,429	(1,591)
Net cash provided by (used for) operating activities	\$ 1,506,618	\$ 493,961	\$ (20,982)	\$ 1,979,597	\$ (320,494)

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Fiduciary Funds**

**STATEMENT OF FIDUCIARY NET ASSETS**

**December 31, 2003**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>	<b>Combining Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents (note A and B)	\$ 1,105,067	\$ 4,051,145	\$ 5,156,212
Investments (note A and B)	81,694,610	-	81,694,610
Receivables (note A)			
Accounts	-	4,221	4,221
Property taxes	-	19,401,411	19,401,411
<b>TOTAL ASSETS</b>	<b>\$ 82,799,677</b>	<b>\$ 23,456,777</b>	<b>\$ 106,256,454</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 2,170	\$ 2,170
Due to other funds (note E)	-	1,040,569	1,040,569
Due to other governmental units	-	21,837,484	21,837,484
Other liabilities	-	576,554	576,554
<b>Total liabilities</b>	<b>-</b>	<b>23,456,777</b>	<b>23,456,777</b>
<b>Net assets (note A)</b>			
Held in trust for pension benefits	73,510,622	-	73,510,622
Held in trust for healthcare benefits	9,289,055	-	9,289,055
<b>Total net assets</b>	<b>82,799,677</b>	<b>-</b>	<b>82,799,677</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,799,677</b>	<b>\$ 23,456,777</b>	<b>\$ 106,256,454</b>

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Fiduciary Funds**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**Year Ended December 31, 2003**

	<b>Pension Trust</b>
Additions	
Contributions	
Member	\$ 750,332
City	1,444,201
Total contributions	<u>2,194,533</u>
Net investment income	
Interest and dividends	75,425
Net increase in fair value of investments	<u>13,338,550</u>
Total additions	<u>15,608,508</u>
Deductions	
Benefit payments	4,419,135
Refunds of contributions	324,168
Administrative expenses	264,245
Transfers out	1,179,938
Total deductions	<u>6,187,486</u>
Change in net assets	9,421,022
Net assets at beginning of year	<u>73,378,655</u>
Net assets at end of year	<u><u>\$ 82,799,677</u></u>

The accompanying notes are an integral part of this statement.

**City of Muskegon**  
**Discretely Presented Component Units**

**STATEMENT OF NET ASSETS**

December 31, 2003

	Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Combined Totals
<b>ASSETS</b>					
Cash and cash equivalents (note A and B)	\$ 301	\$ 11,176	\$ 643,874	\$ 270,648	\$ 925,999
Property taxes receivable	-	186,941	10,585	510,125	707,651
Deferred debt expense (note A)	-	-	135,793	-	135,793
	301	198,117	790,252	780,773	1,769,443
Capital assets					
Land	-	-	400,000	-	400,000
Other capital assets, net of depreciation	-	-	3,783,871	-	3,783,871
Total capital assets	-	-	4,183,871	-	4,183,871
<b>TOTAL ASSETS</b>	<b>\$ 301</b>	<b>\$ 198,117</b>	<b>\$ 4,974,123</b>	<b>\$ 780,773</b>	<b>\$ 5,953,314</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accrued interest	\$ -	\$ -	\$ 34,200	\$ 14,200	\$ 48,400
Due to primary government (note E)	-	177,304	-	-	177,304
Deferred revenue (note A)	-	-	10,585	581,124	591,709
	-	177,304	44,785	595,324	817,413
Long-term liabilities (note A and D)					
Due within one year					
Bonds payable	-	-	-	180,000	180,000
Due in more than one year					
Bonds payable (net of unamortized discount of \$8,597)	-	-	4,716,403	4,490,000	9,206,403
Total long-term liabilities	-	-	4,716,403	4,670,000	9,386,403
Total liabilities	-	177,304	4,761,188	5,265,324	10,203,816
Net assets (note A)					
Unrestricted	301	20,813	212,935	(4,484,551)	(4,250,502)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 301</b>	<b>\$ 198,117</b>	<b>\$ 4,974,123</b>	<b>\$ 780,773</b>	<b>\$ 5,953,314</b>

The accompanying notes are an integral part of this statement.

**City of Muskegon**  
**Discretely Presented Component Units**

**STATEMENT OF ACTIVITIES**

**December 31, 2003**

		<b>Net (Expenses) Revenue and Change in Net Assets</b>				
		<b>Local Development Finance Authority I</b>	<b>Local Development Finance Authority II</b>	<b>Local Development Finance Authority III</b>	<b>Downtown Development Authority</b>	<b>Combining Totals</b>
	<b>Expenses</b>					
Local Development Finance Authority I						
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Development Finance Authority II						
Economic development	499,273	-	(499,273)	-	-	(499,273)
Interest on long-term debt	44,875	-	(44,875)	-	-	(44,875)
Total Local Development Finance Authority II	544,148	-	(544,148)	-	-	(544,148)
Local Development Finance Authority III						
Economic development	26,060	-	-	(26,060)	-	(26,060)
Interest on long-term debt	205,726	-	-	(205,726)	-	(205,726)
Total Local Development Finance Authority III	231,786	-	-	(231,786)	-	(231,786)
Downtown Development Authority						
Economic development	108,820	-	-	-	(108,820)	(108,820)
Interest on long-term debt	167,492	-	-	-	(167,492)	(167,492)
Total Downtown Development Authority	276,312	-	-	-	(276,312)	(276,312)
Total discretely presented component units	<u>\$ 1,052,246</u>	-	(544,148)	(231,786)	(276,312)	(1,052,246)
General revenues						
Property taxes		-	1,097,989	-	698,180	1,796,169
Interest income		2	14,025	51,385	4,879	70,291
Total general revenues		2	1,112,014	51,385	703,059	1,866,460
Change in net assets		2	567,866	(180,401)	426,747	814,214
Net assets at beginning of year		299	(547,053)	393,336	(4,911,298)	(5,064,716)
Net assets at end of year		<u>\$ 301</u>	<u>\$ 20,813</u>	<u>\$ 212,935</u>	<u>\$ (4,484,551)</u>	<u>\$ (4,250,502)</u>

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Discretely Presented Component Units**

**BALANCE SHEET**

**December 31, 2003**

	<b>Local Development Finance Authority I</b>	<b>Local Development Finance Authority II</b>	<b>Local Development Finance Authority III</b>	<b>Downtown Development Authority</b>	<b>Total Discretely Presented Component Units</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents (note A and B)	\$ 301	\$ 11,176	\$ 643,874	\$ 270,648	\$ 925,999
Property taxes receivable (note A)	-	186,941	10,585	510,125	707,651
<b>TOTAL ASSETS</b>	<b>\$ 301</b>	<b>\$ 198,117</b>	<b>\$ 654,459</b>	<b>\$ 780,773</b>	<b>\$ 1,633,650</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Due to primary government (note E)	\$ -	\$ 177,304	\$ -	\$ -	\$ 177,304
Deferred revenue (note A)	-	-	10,585	581,124	591,709
<b>Total liabilities</b>	<b>-</b>	<b>177,304</b>	<b>10,585</b>	<b>581,124</b>	<b>769,013</b>
<b>Fund balances</b>					
Unreserved	301	20,813	643,874	199,649	864,637
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 301</b>	<b>\$ 198,117</b>	<b>\$ 654,459</b>	<b>\$ 780,773</b>	<b>\$ 1,633,650</b>

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Discretely Presented Component Units**

**RECONCILIATION OF TOTAL DISCRETELY PRESENTED COMPONENT UNIT FUND BALANCES  
TO NET ASSETS OF DISCRETELY PRESENTED COMPONENT UNIT ACTIVITIES**

**December 31, 2003**

Total discretely presented component unit fund balances	\$	864,637
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Amounts reported for discretely presented component unit activities in the statement of net assets are different because:

Capital assets used in discretely presented component unit activities are not financial resources and therefore are not reported as assets in the discretely presented component unit funds.

Discretely presented component unit capital assets	\$ 4,198,258	
Less accumulated depreciation	<u>(14,387)</u>	4,183,871

Other assets used in discretely presented component unit activities are not financial resources and therefore are not reported in the discretely presented component unit funds.

Bond issuance costs		135,793
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the discretely presented component unit funds.

Bonds payable	(9,395,000)	
Bond discount	8,597	
Accrued interest on the bonds	<u>(48,400)</u>	<u>(9,434,803)</u>

Net assets of discretely presented component unit activities	\$	<u><u>(4,250,502)</u></u>
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The accompanying notes are an integral part of this statement.

**City of Muskegon**  
**Discretely Presented Component Units**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Year Ended December 31, 2003

	Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Total Discretely Presented Component Units
Revenues					
Property taxes	\$ -	\$ 1,097,989	\$ -	\$ 698,180	\$ 1,796,169
Interest	2	14,025	51,385	4,879	70,291
Total revenues	2	1,112,014	51,385	703,059	1,866,460
Expenditures					
Current					
Economic development	-	499,273	5,500	108,820	613,593
Capital outlay	-	-	3,479,455	-	3,479,455
Debt services					
Principal	-	825,000	-	170,000	995,000
Interest and fiscal charges	-	48,875	205,147	167,492	421,514
Total expenditures	-	1,373,148	3,690,102	446,312	5,509,562
Excess (deficiency) of revenues over expenditures	2	(261,134)	(3,638,717)	256,747	(3,643,102)
Fund balances (deficit) at beginning of year	299	281,947	4,282,591	(57,098)	4,507,739
Fund balances at end of year	\$ 301	\$ 20,813	\$ 643,874	\$ 199,649	\$ 864,637

The accompanying notes are an integral part of this statement.

**City of Muskegon  
Discretely Presented Component Units**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF DISCRETELY PRESENTED COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES**

**December 31, 2003**

Net change in fund balances - total discretely presented component unit funds	\$	(3,643,102)
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Amounts reported for discretely presented component unit activities in the statement of activities are different because:

Discretely presented component unit funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 3,479,455	
Less current year depreciation	<u>(14,387)</u>	3,465,068

The issuance of long-term debt provides current financial resources to discretely presented component unit funds, while the repayment of the principal of long-term debt consumes the current financial resources of discretely presented component unit funds.

Neither transaction, however, has any effect on net assets. Also, discretely presented component units report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of discount and issuance costs	(6,752)	
Principal payments	995,000	
Change in accrued interest	<u>4,000</u>	<u>992,248</u>

Change in net assets of discretely presented component unit activities	\$	<u><u>814,214</u></u>
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The accompanying notes are an integral part of this statement.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Muskegon, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the City are discussed below.

- Financial Reporting Entity - The City of Muskegon was incorporated October 6, 1919, under the provisions of the Home Rule Act of the State of Michigan. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, sanitation, culture, recreation and other governmental functions. As required by GASB 14, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.
- Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Each blended and discretely presented component unit has a December 31 year-end.
  - *Blended Component Units* - Blended component units, although legally separate entities, are, in substance, part of City operations and so data from these units are combined with data from the primary government.
  - City of Muskegon Building Authority - The Authority is governed by a three-member board comprised of the City Manager, City Attorney and City Finance Director. The City is involved in the purchase, by lease contract, of the City hall building and an automobile parking facility from the Authority. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations since its sole purpose is to acquire and lease property to the City.
  - *Discretely Presented Component Units* - The component units' columns in the government-wide financial statements include the financial data of the City's other component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- City of Muskegon Downtown Development Authority (DDA) - The Authority's sole purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown district. Members of the DDA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the DDA budget and must approve any debt issuance.
  - City of Muskegon Local Development Finance Authority - The City has created three separate local development finance authority districts under the aegis of the Local Development Finance Authority (LDFA) to promote and facilitate economic growth in the Port City Industrial Park, the Medendorp Industrial Park, and the SmartZone Hi-Tech Park. The LDFA's sole purpose is the collection of tax increment revenues and the construction of public facilities. Members of the LDFA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves budgets and must approve any debt issuance.
  - Complete financial statements of the component units can be obtained from their administrative offices, 933 Terrace Street, Muskegon, Michigan 49443.
- *Related Organizations* - The following organizations are related to the City's financial reporting entity:
- Muskegon Hospital Finance Authority - The Muskegon Hospital Finance Authority was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Hospital Finance Authority are appointed by the City but the City is not financially accountable for the Authority and therefore the Authority is excluded from the accompanying financial statements. The Hospital Finance Authority's sole purpose is to issue tax-exempt debt for the benefit of Hackley and Mercy-General hospitals, both of which are located within the City. The Authority has no assets or financial activity and does not prepare financial statements. The Hospital Finance Authority has no taxing power. As of December 31, 2003, there was no outstanding debt issued by the Hospital Finance Authority. The City is not obligated in any manner for repayment of debt issued by the Hospital Finance Authority, as any debt is payable solely from contractual payments from the hospitals.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Muskegon Housing Commission - The Muskegon Housing Commission was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Housing Commission are appointed by the City but the City is not financially accountable for the Commission and therefore the Commission is excluded from the accompanying financial statements. The Housing Commission's main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety and welfare. The Commission's policy is to prepare its financial statements on the basis prescribed by the Department of Housing and Urban Development. Accordingly, the summary information below (which is required by federal regulations), is not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Summary financial information for the fiscal year ended September 30, 2003, the date of its latest audited financial statements is as follows:

Muskegon Housing Commission	
Total assets	\$5,455,749
Total liabilities	<u>222,942</u>
Total fund equity	<u>\$5,232,807</u>
Total operating income	\$286,485
Total operating expenditures	(2,047,621)
Total nonoperating revenues	<u>1,434,149</u>
Net loss	<u>(\$326,987)</u>

Complete audited financial statements can be obtained from the Muskegon Housing Commission at 1080 Terrace Street, Muskegon, Michigan 49442.

- *Joint Ventures* - The City of Muskegon participates in the following joint ventures:
  - Central Operations for Police Services - The City is a member of an area-wide central dispatch system, Central Operations for Police Services. It is a joint venture of nine governmental units governed by a board composed of representatives of the participants. It is financed through property taxes, an emergency telephone surcharge to the public and through annual member assessments based on population, composite state equalized valuation of property and the average of service calls placed. The City does not report an equity interest in this joint venture in these financial statements because the City does not have an explicit and measurable right to the joint venture's resources. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the September 30, 2003 audit report of Central Operations for Police Services follows:

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Central Operations for Police Services	
<b>General Fund</b>	
Total assets	\$1,554,240
Total liabilities	<u>136,581</u>
Fund balance	<u>\$1,417,659</u>
Revenues	\$3,052,078
Expenditures	<u>2,118,002</u>
Revenues over expenditures	<u>\$934,076</u>
<b>General fixed assets account group</b>	<u>\$ 2,080,810</u>
<b>General long term debt</b>	<u>\$ 393,448</u>

Complete financial statements for Central Operations for Police Services can be obtained from their administrative office at 860 Terrace St., Muskegon, Michigan 49443.

- Muskegon Regional Water Alliance - The City is a member of an area-wide alliance, the Muskegon Regional Water Alliance. It is a joint venture of seven governmental units governed by a board composed of representatives of the participants. It is financed through member assessments. The purpose of the alliance is to review, advise and participate in non-binding issues regarding water service within Muskegon County. The City does not report an equity interest in this joint venture in these financial statements because the City does not have an explicit and measurable right to the joint venture's resources. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the May 31, 2003 audit report of the Muskegon Regional Water Alliance follows:

Muskegon Regional Water Alliance	
<b>General Fund</b>	
Total assets	\$6,362
Total liabilities	<u>-</u>
Fund balance	<u>\$6,362</u>
Revenues	\$ -
Expenditures	<u>450</u>
Revenues under expenditures	<u>(\$ 450)</u>
<b>General fixed assets account group</b>	<u>\$ -</u>
<b>General long term debt</b>	<u>\$ -</u>

Complete financial statements for the Muskegon Regional Water Alliance can be obtained from their administrative office at 5428 East Apple Avenue, Muskegon, Michigan 49444.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. The City has elected not to allocate those indirect expenses to other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

- Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:
- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
  - Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. To improve reporting cohesiveness, the City has elected to include the Local Street and Marina funds as major funds for this report.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- The City reports the following major funds:
  - General Fund - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.
  - Special Revenue Funds
    - Major Street and Trunkline Fund - To account for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.
    - Local Street Fund - To account for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of local streets within the City.
  - Enterprise Funds
    - Water Fund - To account for user charges and for operating expenses and debt service of the City's water system.
    - Sewer Fund - To account for user charges and for operating expenses and debt service of the City's sewer system.
    - Marina Fund – To account for user fees collected and operating expenses for the Hartshorn Marina and boat launch ramp facilities.
- The following is a description of the three major categories and various fund types within those categories into which the funds are grouped:
  - Governmental Funds - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
  - ♦ Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers income taxes, property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year-end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- ◆ Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.
- The following is a description of the governmental fund types of the City:
  - ◆ General Fund - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.
  - ◆ Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
  - ◆ Debt Service Funds - Debt service funds are used to record the funding and payment of principal, interest and related expenses in connection with certain long-term debt other than debt payable from the operations of the proprietary funds.
  - ◆ Capital Projects Funds - Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.
  - ◆ Permanent Funds – The permanent funds are used to account for the assets of legal trust agreements held by the City as trustee for which only the interest income on the principal may be spent.
- Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- The following is a description of the proprietary fund types of the City:
  - ♦ Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.
  - ♦ Internal Service Funds - Internal service funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis.
- Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs.
  - Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
  - Pension Trust Funds - The pension trust funds are used to account for the assets held by the City as trustee for the employee retirement systems.
- Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The City adopts its budget in accordance with City Charter and Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:
  - Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
  - Public hearings are conducted at the City hall to obtain public comments.
  - Prior to September 25<sup>th</sup> the budget and annual appropriations act are legally adopted by the City Commission.
  - Formal budget integration is employed as a management control device during the year for all budgetary funds.
  - Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the City's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds. The City Manager is empowered to transfer line-item budget amounts within appropriation centers.
  - Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the City Commission. Expenditures in the special revenue funds are classified by major functional category for informational purposes. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary. In 2003, the general fund and special revenue fund budgets were amended to reflect actual expenditures that were higher than originally budgeted.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- All budget appropriations lapse at the end of the year.
- Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.
- Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:
  - In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
  - In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
  - In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
  - In United States government or federal agency obligation repurchase agreements.
  - In banker's acceptances of United States banks.
  - In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
  - In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City's three pension trust funds are also authorized to invest in corporate bonds, common stock and certain other investment vehicles. The City's deposits and investments are in accordance with statutory authority.

The City maintains a cash and investment pool that is available for use by all funds and component units. Each fund type's or component unit's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents". In addition, certain City trust funds including the Policemen and Firemen Retirement Trust Fund, the General Employees Retirement Trust Fund and the Cemetery Perpetual Care Trust Fund have investments which are separately held from those of other City funds.

For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to the specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

In accordance with State law, interest earned in the Budget Stabilization Fund is recorded in the General Fund.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/due from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as enforceable liens on property as of December 31<sup>st</sup>. Taxes are levied on December 1<sup>st</sup> of the following year and are payable from the date of levy through March 1<sup>st</sup>. Taxes levied on December 1<sup>st</sup> are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy date (December 1<sup>st</sup>). The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund. The City is permitted by state law without voter approval to levy taxes up to \$10.00 per \$1,000 of state equalized valuation for general governmental purposes, \$3.00 for sanitation, and up to \$50,000 per year for community promotion. The tax rate to finance City services for the year ended December 31, 2003, was \$10.0786 per \$1,000 of taxable valuation.

- Inventories and Prepaid Items - Inventories include materials, repair parts and supplies for various City operations and are valued at the lower of cost (first-in, first-out) or market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.
- Restricted Cash and Cash Equivalents – Certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
- Wastewater Facility Rights - The City is a participant in the Muskegon County Wastewater Management System, a wastewater treatment facility owned and operated by Muskegon County. Members are charged usage fees based on the volume of wastewater treated. In addition, each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system. The City has a binding commitment from a large industrial user of the system to participate in the repayment of its share of the debt. The industrial user, whose demand for wastewater treatment accounts for 59% of the Citywide wastewater flow into the system, has agreed to fund 59% of the City’s share of the contracts payable to the County.

The City accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to Muskegon County is presented as long-term debt. The long-term receivable from the industrial user is recorded as an “other” asset and the difference, which represents the City’s investment in an intangible asset, is presented as wastewater facility rights. The investment in wastewater facility rights is amortized over the life of the debt issue.

- Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

	<u>Years</u>
Buildings	25 - 50
Improvements	40 - 50
Water and sewage mains	40 - 100
Equipment	5 - 20

- GASB 34 requires major networks and major subsystems of infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The City has capitalized infrastructure since January 1, 2002 when GASB 34 was implemented, and has reported the infrastructure in the statement of net assets. The City will retroactively capitalize the major infrastructure assets on or before December 31, 2007, as permitted by GASB 34.
- Compensated Absences - City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The City follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee terminations as of year-end while the proprietary funds report the liability as it is incurred.
- Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.  
  
In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
- Cash Overdrafts - To facilitate cash management and to maximize interest income, the primary government and component units have pooled certain cash and investment accounts. Cash overdrafts represent a deficit position in the pooled account and have been classified as amounts due to other funds.
- Fund Equity – In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Reserves exist for prepaid expenditures and inventories as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Comparative Data - Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B - CASH AND INVESTMENTS

- Deposits - At year-end the carrying amount of the primary government and component unit's deposits was \$12,492,652 and the bank balance was \$12,272,761. Of the bank balance, \$100,000 was covered by federal depository insurance and \$12,172,761 was uninsured and uncollateralized.

Deposits are categorized below according to level of credit risk:

- Category 1 represents insured or collateralized deposits with securities held by the entity or by its agent in the entity's name.
- Category 2 represents collateralized deposits with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 represents uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the entity's name.

	Category			Bank Balance	Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand Deposits	<u>\$100,000</u>	<u>\$ -</u>	<u>\$12,172,761</u>	<u>\$12,272,761</u>	<u>\$12,492,652</u>

- Investments - Investments of the primary government and component units are categorized below to give an indication of the level of risk assumed by the entity at year-end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the entity or its agent in the entity's name.
- Category 2 includes uninsured and unregistered investments, for which the securities are held by the counterparty's trust department or agent in the entity's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the entity's name.

	Category			Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>	
US Government Securities	<u>\$6,824,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,824,653</u>
<u>Investments Not Subject to Categorization:</u>				
Stable Net Asset Value Money Market Mutual Funds				996,507
Variable Net Asset Value Equity/Bond Collective Funds				<u>86,437,579</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

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\$94,258,739

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NOTE B - CASH AND INVESTMENTS – Continued

Total deposits and investments at December 31, 2003, were \$106,751,391 and are presented in the fund financial statements as follows:

Balance Sheet Classification:	Combined Total
Governmental Funds Balance Sheet	
Cash and Cash Equivalents	\$5,630,443
Investments	6,824,653
Statement of Fund Net Assets – Proprietary Funds	
Enterprise Funds	
Cash and Cash Equivalents	3,646,033
Restricted Cash and Cash Equivalents	822,559
Internal Service Funds	
Cash and Cash Equivalents	2,050,882
Statement of Fiduciary Net Assets – Fiduciary Funds	
Cash and Cash Equivalents	5,156,212
Investments	81,694,610
Statement of Net Assets – Discretely Presented Component Units	
Cash and Cash Equivalents	<u>925,999</u>
	<u>\$106,751,391</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE C - CAPITAL ASSETS

- Primary Government - Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Governmental Activities				
Capital Assets Being Depreciated and Amortized				
Land Improvements	\$ 527,562	\$ 363,087	\$ -	\$890,649
Building and Other Improvements	14,559,534	581,093	-	15,140,627
Machinery and Equipment	10,638,577	554,461	434,835	10,758,203
Infrastructure	1,642,897	1,929,902	-	3,572,799
Shared Street Improvements	4,898,056	678,845	-	5,576,901
Total Capital Assets Being Depreciated and Amortized	32,266,626	4,107,388	434,835	35,939,179
Less Accumulated Depreciation and Amortization				
Land Improvements	131,252	20,924	-	152,176
Building and Other Improvements	10,319,345	597,695	-	10,917,040
Machinery and Equipment	7,802,551	892,701	426,488	8,268,764
Infrastructure	-	92,775	-	92,775
Shared Street Improvements	-	244,903	-	244,903
Total Accumulated Depreciation and Amortization	18,253,148	1,848,998	426,488	19,675,658
Net Capital Assets Being Depreciated and Amortized	14,013,478	2,258,390	8,347	16,263,521
Capital Assets Not Being Depreciated or Amortized				
Land	13,411,170	151,313	-	13,562,483
Construction in Progress	3,179,089	9,068,915	2,871,288	9,376,716
Total Capital Assets Not Being Depreciated or Amortized	16,590,259	9,220,228	2,871,288	22,939,199
Total Governmental Activities Capital Assets Net of Depreciation and Amortization	<u>\$30,603,737</u>	<u>\$11,478,618</u>	<u>\$2,879,635</u>	<u>\$39,202,720</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE C - CAPITAL ASSETS – Continued

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Business-Type Activities				
Capital Assets Being Depreciated				
Land Improvements	\$ 1,925,473	\$ -	\$ 938	\$1,924,535
Buildings and Systems	49,607,809	1,094,691	141,257	50,561,243
Machinery and Equipment	3,061,746	-	1,484,979	1,576,767
Total Capital Assets Being Depreciated	54,595,028	1,094,691	1,627,174	54,062,545
Less Accumulated Depreciation				
Land Improvements	1,395,031	51,907	6,177	1,440,761
Buildings and Systems	19,224,006	803,168	18,668	20,008,506
Machinery and Equipment	1,449,106	85,041	768,374	765,773
Total Accumulated Depreciation	22,068,143	940,116	793,219	22,215,040
Net Capital Assets Being Depreciated	32,526,885	154,575	833,955	31,847,505
Capital Assets Not Being Depreciated				
Land	135,654	-	15,966	119,688
Construction in Progress	8,279,665	2,225,643	1,120,267	9,385,041
Total Capital Assets Not Being Depreciated	8,415,319	2,225,643	1,136,233	9,504,729
Total Business-Type Activities Capital Assets Net of Depreciation	<u>\$40,942,204</u>	<u>\$2,380,218</u>	<u>\$1,970,188</u>	<u>\$41,352,234</u>

➤ Depreciation was charged to programs of the primary government as follows:

Governmental activities	
Administrative services	\$448,635
Financial services	11,411
Public safety	103,803
Public works	37,546
Leisure services	207,865
Planning	19,057
Highways, streets and bridges	316,417
Internal service fund depreciation is charged to the various programs based on their usage of the assets	<u>704,264</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

Total Governmental Activities	
Depreciation Expense	<u>\$1,848,998</u>
Business-type activities	
Water	\$282,302
Sewer	596,776
Marina	<u>61,308</u>
Total Business-Type Activities Depreciation Expense	<u>\$940,116</u>

NOTE C - CAPITAL ASSETS – Continued

- Discretely Presented Component Units – Capital asset activity for the City's discretely presented component units for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Capital Assets Being Depreciated				
Buildings and Other Improvements	\$ -	\$3,798,258	\$ -	\$3,798,258
Less Accumulated Depreciation				
Buildings and Other Improvements	-	14,387	-	14,387
Net Capital Assets Being Depreciated	-	3,783,871	-	3,783,871
Capital Assets Not Being Depreciated				
Land	400,000	-	-	400,000
Construction in Progress	318,803	3,479,455	3,798,258	-
Total Capital Assets Not Being Depreciated	718,803	3,479,455	3,798,258	400,000
Total Discretely Presented Component Units Capital Assets Net of Depreciation	<u>\$718,803</u>	<u>\$7,263,326</u>	<u>\$3,798,258</u>	<u>\$4,183,871</u>

- Construction Commitments – As of December 31, 2003, the City and its component units had the following active construction projects and related commitments with contractors:

Project Name	Spent-to-Date	Remaining Commitment
Water Filtration Plant Improvements	\$552,286	\$16,847,714
Shoreline Drive East Construction	4,022,694	4,090,613
Cross Lake Ferry Site Improvements	-	1,200,000
Shoreline Drive Construction Engineering	654,511	413,434
Roberts Street Water Tank Painting	-	151,000
Public Service Building Heating Units	-	82,725

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE D - LONG-TERM DEBT

- Following is a summary of long-term debt transactions for the year ended December 31, 2003:

	Balance January 1, 2003	Borrowings	Payments	Balance December 31, 2003	Amounts Due Within One Year
<b><u>Business-Type Activities</u></b>					
Revenue Debt	\$9,750,000	\$ -	\$405,000	\$9,345,000	\$420,000
Intergovernmental Contractual Debt	7,038,014	-	1,151,091	5,886,923	1,107,267
Long-Term Compensated Absences	186,528	3,429	-	189,957	31,659
	<u>16,974,542</u>	<u>3,429</u>	<u>1,556,091</u>	<u>15,421,880</u>	<u>1,558,926</u>
<b><u>Governmental Activities</u></b>					
Intergovernmental Contractual Debt	1,276,900	-	150,000	1,126,900	150,000
Michigan Transportation Fund Debt	3,335,000	-	550,000	2,785,000	555,000
General Obligation Debt	400,000	-	195,000	205,000	205,000
Special Assessment Debt	1,835,000	1,575,000	375,000	3,035,000	425,000
Long-Term Compensated Absences	1,373,693	82,259	-	1,455,952	242,658
	<u>8,220,593</u>	<u>1,657,259</u>	<u>1,270,000</u>	<u>8,607,852</u>	<u>1,577,658</u>
Total Primary Government Long-Term Debt	<u>25,195,135</u>	<u>1,660,688</u>	<u>2,826,091</u>	<u>24,029,732</u>	<u>3,136,584</u>
<b><u>Discretely Presented Component Units</u></b>					
Revenue Debt	1,000,000	-	-	1,000,000	-
General Obligation Debt	9,390,000	-	995,000	8,395,000	180,000
	<u>10,390,000</u>	<u>-</u>	<u>995,000</u>	<u>9,395,000</u>	<u>180,000</u>
	<u>\$35,585,135</u>	<u>\$1,660,688</u>	<u>\$3,821,091</u>	<u>\$33,424,732</u>	<u>\$3,316,584</u>

- Long-term debt payable at December 31, 2003, consisted of the following individual issues:

<b>Primary Government</b>	
<b><u>Business-Type Activities</u></b>	
\$5,465,000 water supply system bonds of 1993 due in two installments of \$450,000 through May 1, 2013; interest at 4.50% (unamortized discount \$16,537).	\$ 900,000
\$9,575,000 water supply system bonds of 1999 due in annual installments of \$420,000 to \$800,000 through May 1, 2019; interest at 3.85% to 4.75% (unamortized discount \$77,117).	8,445,000
\$6,990,000 contractual obligation of 2002 for County wastewater debt due in annual installments of \$116,862 to \$1,244,580 through 2008; interest at 2.00% to 5.00%.	3,938,249

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

<b>Primary Government</b>	
\$8,034,263 contractual obligation of 1996 for County wastewater debt retirement due in annual installments of \$964,112 to \$984,562 through July 1, 2005; interest at 5.10% to 5.70%.	<u>1,948,674</u>
<b>Total Bonds and Loans Payable</b>	<b>15,231,923</b>
Long-term compensated absences	<u>189,957</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b><u>\$15,421,880</u></b>

NOTE D - LONG-TERM DEBT - Continued

**Governmental Activities**

\$1,545,000 Building Authority limited tax bonds of 1996 (City Hall renovations) due in an annual installment of \$205,000 on December 1, 2004; interest at 4.30%.	\$205,000
\$1,155,000 special assessment improvement bonds of 1996 due in annual installments of \$25,000 to \$65,000 through December 1, 2005; interest at 4.30% to 4.40%.	90,000
\$1,495,000 special assessment improvement bonds of 1998 due in annual installments of \$60,000 to \$165,000 through April 1, 2009; interest at 3.90% to 4.00%.	780,000
\$825,000 special assessment improvement bonds of 2000 due in annual installments of \$70,000 to \$90,000 through April 1, 2010; interest at 4.55% to 5.00%.	590,000
\$1,575,000 capital improvement bonds of 2003 due in annual installments of \$105,000 to \$150,000 through June 1, 2016; interest at 2.00% to 4.05%.	1,575,000
\$1,276,900 State of Michigan urban land assembly loan due in annual installments of \$150,000 to \$276,900 through October 31, 2009; interest free.	1,126,900
\$2,245,000 Michigan Transportation Fund bonds of 2002 for street improvements due in annual installments of \$350,000 to \$400,000 through June 1, 2008; interest at 2.00% to 3.13% (unamortized premium \$7,119).	1,895,000
\$1,950,000 Michigan Transportation Fund bonds of 1998 for street improvements due in annual installments of \$205,000 to \$240,000 through December 1, 2007; interest at 4.10% to 4.25%.	<u>890,000</u>
<b>Total Bonds and Loans Payable</b>	<b>7,151,900</b>
Long-term compensated absences	<u>1,455,952</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

<b>Total Governmental Activities Long-Term Liabilities</b>	<b><u>\$8,607,852</u></b>
<b>Total Primary Government Long-Term Debt</b>	<b><u>\$24,029,732</u></b>

NOTE D - LONG-TERM DEBT - Continued

<b><u>Discretely Presented Component Units Debt</u></b>	
\$1,000,000 Downtown Development Authority promissory note to Muskegon County due in a balloon payment August 30, 2019; interest free.	\$1,000,000
\$4,005,000 Downtown Development Authority tax increment refunding bonds of 2001 due in annual installments of \$180,000 to \$335,000 through June 1, 2018; interest at 4.00% to 5.00%.	3,670,000
\$4,725,000 Local Development Finance Authority tax increment bonds of 2002 for building improvements in the Smartzone Tech Park due in annual installments of \$80,000 to \$400,000 through November 1, 2025; interest at 3.25% to 4.85% (unamortized discount \$8,597).	<u>4,725,000</u>
<b>Total Discretely Presented Component Units Long-Term Debt</b>	<b><u>\$9,395,000</u></b>
<b>Total Reporting Entity Long-Term Debt</b>	<b><u>\$33,424,732</u></b>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE D - LONG-TERM DEBT - Continued

- The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$9,989,180 are as follows:

Year Ending December 31	Business-Type Activities		Governmental Activities		Discretely Presented Component Units		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$1,527,267	\$671,958	\$1,335,000	\$198,379	\$180,000	\$365,640	\$4,278,244
2005	1,515,974	600,244	1,115,000	158,123	185,000	358,340	3,932,681
2006	1,699,580	552,333	1,120,000	126,535	200,000	350,640	4,049,088
2007	1,702,894	471,373	1,170,000	93,966	280,000	342,640	4,060,873
2008	1,711,208	390,288	880,000	60,379	290,000	331,840	3,663,715
2009	510,000	308,850	536,900	43,685	300,000	320,220	2,019,655
2010	535,000	287,160	190,000	34,755	310,000	307,813	1,664,728
2011	555,000	263,993	120,000	28,805	320,000	294,605	1,582,403
2012	580,000	239,108	125,000	24,393	425,000	280,834	1,674,335
2013	605,000	212,620	130,000	19,610	500,000	262,268	1,729,498
2014	635,000	184,798	135,000	14,508	575,000	240,715	1,785,021
2015	665,000	155,381	145,000	8,975	605,000	215,435	1,794,791
2016	695,000	124,266	150,000	3,031	640,000	188,343	1,800,640
2017	730,000	91,310	-	-	670,000	159,088	1,650,398
2018	765,000	56,167	-	-	710,000	127,750	1,658,917
2019	800,000	19,000	-	-	1,395,000	103,063	2,317,063
2020	-	-	-	-	400,000	85,485	485,485
2021	-	-	-	-	255,000	67,085	322,085
2022	-	-	-	-	265,000	55,355	320,355
2023	-	-	-	-	280,000	43,165	323,165
2024	-	-	-	-	295,000	29,585	324,585
2025	-	-	-	-	315,000	15,278	330,278
	<u>\$15,231,923</u>	<u>\$4,628,849</u>	<u>\$7,151,900</u>	<u>\$815,144</u>	<u>\$9,395,000</u>	<u>\$4,545,187</u>	<u>\$41,768,003</u>

- Future debt service requirements (i.e. principal and interest) by type of debt are as follows:

	General Obligation Bonds		Revenue Bonds	
	General Long-Term Debt	Discretely Presented Component Units	Enterprise Funds	Discretely Presented Component Units
2004	\$213,816	\$545,640	\$821,880	\$ -
2005	-	543,340	820,204	-
2006	-	550,640	822,399	-
2007	-	622,640	818,667	-
2008	-	621,840	819,228	-
2009	-	620,220	818,850	-
2010	-	617,813	822,160	-
2011 - 2015	-	3,718,856	4,095,899	-
2016 - 2020	-	3,478,733	3,280,745	1,000,000
2021 - 2025	-	1,620,465	-	-
	<u>\$213,816</u>	<u>\$12,940,187</u>	<u>\$13,120,032</u>	<u>\$1,000,000</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE D - LONG-TERM DEBT - Continued

	<u>Intergovernmental</u>	<u>Special Assessment</u>	<u>Michigan Transportation Fund Bonds</u>
	Business- Type Activities	Governmental Activities	Governmental Activities
2004	\$1,377,345	\$150,000	\$532,239
2005	1,296,015	150,000	471,865
2006	1,429,514	150,000	433,175
2007	1,355,599	200,000	395,828
2008	1,282,267	200,000	344,285
2009	-	276,900	303,684
2010	-	-	224,755
2011 -2015	-	-	751,291
2016 -2020	-	-	153,034
2021 -2025	-	-	-
	<u>\$6,740,740</u>	<u>\$1,126,900</u>	<u>\$3,610,156</u>

- There are a number of limitations and restrictions contained in the various bond indentures. The City is in substantial compliance with all the significant provisions of the bond indentures.
- The limited full faith and credit of the City has been pledged for repayment of special assessments bonds.
- The \$4,725,000 Local Development Finance Authority (LDFA) tax increment bonds of 2002 are partially guaranteed by the Community Foundation for Muskegon County. If LDFA tax increment revenues are not sufficient to cover debt service costs in any year, the Foundation has agreed to pay one-half of such shortfall up to \$75,000 annually.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE E - RECEIVABLES, PAYABLES AND TRANSFERS WITHIN THE REPORTING ENTITY

➤ Receivables and payables consisted of the following at December 31, 2003:

Fund/Component Unit	Receivable	Fund/Component Unit	Payable
General	<u>\$1,036,348</u>	Current Tax	<u>\$1,036,348</u>
State Grants	<u>177,313</u>	Lakeshore Trail	<u>177,313</u>
Major Street and Trunkline	8,081,356	General	6,239,088
		Local Street	493,226
		Enterprise Community	4,281
		EC Micro Loan	32,993
		Rehab Loan Escrow	4,221
		HOME Rehabilitation	291,054
		Community Development Block Grant	235,344
		State Grants	595,801
		Marina	72,012
		Cemetery Perpetual Care	<u>113,336</u>
	<u>8,081,356</u>		<u>8,081,356</u>
<b>Total Primary Government</b>	<b><u>\$9,295,017</u></b>	<b>Total Primary Government</b>	<b><u>\$9,295,017</u></b>
		Component Unit – Local Development	
Primary Government - General	<u>177,304</u>	Finance Authority II	<u>177,304</u>
<b>Total Reporting Entity</b>	<b><u>\$9,472,321</u></b>	<b>Total Reporting Entity</b>	<b><u>\$9,472,321</u></b>

Property taxes are collected in a central current tax fund from where they are distributed to the various taxing jurisdictions - including the City and its component units. Amounts owed the City at December 31, 2003 are shown as interfund payables/receivables. The amount due to the state grants fund from the lakeshore trail fund is for a match on a grant. Other interfund payables/receivables consist entirely of temporary loans to cover cash shortfalls in a given fund.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE E - RECEIVABLES, PAYABLES AND TRANSFERS WITHIN THE REPORTING ENTITY – Continued

➤ Transfers consisted of the following for the year ended December 31, 2003:

Fund	Transfers Out	Fund	Transfers In
General	\$1,240,856	Local Street	\$870,000
		L.C. Walker Arena	210,000
		State Grants	10,856
		Public Improvement	150,000
	<u>1,240,856</u>		<u>1,240,856</u>
Budget Stabilization	500,000	General	566,282
Revolving Loan	5,000		
Cemetery Perpetual Care	61,282		
	<u>566,282</u>		<u>566,282</u>
Major Street and Trunkline	525,049	Local Street	500,000
		Sidewalk Improvement	25,049
	<u>525,049</u>		<u>525,049</u>
Local Street	64,169	Sidewalk Improvement	64,169
TIFA Debt Service	120,000	L.C. Walker Arena	120,000
General Employees Retirement System	289,603	General Insurance	1,179,938
Police and Firemen Retirement System	890,335		
	<u>1,179,938</u>		<u>1,179,938</u>
Lakeshore Trail	224,386	State Grants	224,386
<b>Total Reporting Entity</b>	<u><b>\$3,920,680</b></u>	<b>Total Reporting Entity</b>	<u><b>\$3,920,680</b></u>

Each year, the general fund transfers funds to the local and major street funds and to the public improvement fund to finance capital improvement projects. The general fund also provides an operating subsidy transfer to the L.C. Walker arena fund. Also on an annual basis, the City's pension funds transfer funds to the City's insurance fund to offset the cost of retiree healthcare benefits. Other transfers between funds are made to meet grant matching requirements or other operational needs.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE F - DEFINED BENEFIT PENSION PLANS

- The primary government maintains two separate single employer contributory pension plans - the General Employees Retirement System and the Policemen and Firemen Retirement System - which cover all active full-time employees of the City. The pension plans are maintained as pension trust funds and are included as part of the City's reporting entity. Staff costs associated with administering the plans are paid from the city's general fund. Contractual service costs for investment management and consulting, actuarial services, custodial services and similar items are paid from investment earnings of the funds. A stand alone financial report of the pension plans has not been issued.
- Plan Descriptions - The following schedule is derived from the respective actuarial reports and from City information and reflects accounting policies, membership and plan provisions and actuarial assumptions for the two pension plans as of December 31, 2002:

	General Employees	Policemen and Firemen
<b>General Information:</b>		
Authority	City Ordinance	City Ordinance
Basis of Accounting	Accrual	Accrual
Asset Valuation:		
Reporting	Fair Value	Fair Value
Actuarial Valuation	Four-Year Smoothed Market	Four-Year Smoothed Market
Valuation Date	December 31, 2002	December 31, 2002
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Percent (Open)	Level Percent (Open)
Remaining Amortization Period	10 Years	10 Years
Non-government investments in excess of 5%	None	None
<b>Membership And Plan Provisions:</b>		
Members:		
Active Participants	171	127
Retirees and Beneficiaries Receiving Benefits	158	156
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	21	4
Member Contributions:		
First \$4,200 of Earnings	3.0%	6.0%
Excess of \$4,200 of Earnings	5.0%	6.0%

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE F - DEFINED BENEFIT PENSION PLANS - Continued

	General Employees	Policemen and Firemen
Normal Retirement Benefit:		
Retirement Age	55 - 60	53 - 55
Years of Service (Minimum)	5 - 30	10 - 25
Accrual (First \$4,200 final average compensation)	1.9% - 2.25%	2.5% - 2.6%
Final average compensation in excess of \$4,200	1.9% - 2.25%	2.5% - 2.6%
Maximum (% of final average compensation)	None	75%-80%
Years to Vest	5 - 10	10
Assumptions:		
Investment Earnings	8.0%	8.0%
Salary Increases	5.0% - 8.8%	5.0% - 8.0%
Investment and salary assumptions include inflation at 5.0%.		

- Basis of Accounting - The pension plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The City's contributions to the plans are recognized when due and the City has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.
- Funding Policy - The City is obligated by the state constitution to make annual contributions to each of its pension plans based on actuarially computed percentages of covered wages in amounts sufficient to cover the normal cost of benefits and amortize prior service liabilities over a period of future years. Actuarial assumptions used in determining the annual funding requirements are set by the boards of trustees of each system. During the year ended December 31, 2002, contributions were made to the plans in accordance with contribution requirements determined by actuarial valuations of the plans as of December 31, 2000, and were as follows:

	General Employees	Policemen and Firemen
Retirement Contributions – Members	\$325,527	\$ 410,413
Retirement Contributions – City	-	290,431
	<u>\$325,527</u>	<u>\$700,844</u>

- Benefits – Pension benefit levels are established through negotiation and contract with the City's various collective bargaining units. Benefit levels for non-represented employees are established by policy of the City Commission.
- Investments - Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price; investments that do not have established fair values are reported at estimated fair value; and, cash deposits are reported at carrying amount which reasonably estimates fair value. The following summarizes the carrying values of investments of the City's two pension plans at December 31, 2002:

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE F - DEFINED BENEFIT PENSION PLANS - Continued

	Cost	Fair Value
<b>General Employees</b>		
Bond index fund	\$12,001,488	\$13,660,138
Common stocks (collective funds)	15,439,230	15,929,148
Other instruments	<u>595,704</u>	<u>595,704</u>
	<u>\$28,036,422</u>	<u>\$30,184,990</u>
<b>Policemen and Firemen</b>		
Bond index fund	\$16,662,038	\$18,968,452
Common stocks (collective funds)	21,193,161	21,802,940
Other instruments	<u>320,729</u>	<u>320,729</u>
	<u>\$38,175,928</u>	<u>\$41,092,121</u>

- GASB 25 Required Information - Three-year trend information as required by GASB 25 is presented below. GASB 25 required supplementary information is presented after the Notes to the Financial Statements.

Three Year Trend Information				
Actuarial Valuation Dated December 31,	Fiscal Year Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
<b><u>General Employees</u></b>				
1998	2000	\$50,987	100.00%	0
1999	2001	-	-	0
2000	2002	-	-	0
<b><u>Policemen and Firemen</u></b>				
1998	2000	\$98,491	100.00%	0
1999	2001	96,549	100.00%	0
2000	2002	290,431	100.00%	0

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE G - OTHER POST EMPLOYMENT BENEFITS

- In addition to the pension benefits described in Note F, the City provides healthcare benefits to retirees receiving a City pension. As of December 31, 2003, 313 retirees or beneficiaries were eligible for post-employment health care benefits. Specific benefit provisions vary by employee group; however, in general, benefits for retirees under age 65 are the same as for regular employees while retirees over 65 receive a Medicare supplemental benefit. Since 1987, the City has had an actuarial valuation of its post employment healthcare obligation performed each year and has followed a program of prefunding the obligation in the same manner as it funds the pension obligation. During 2003, the City made contributions to the retiree healthcare program as follows:

	General Employees	Police and Firemen
Contribution	\$ 305,265	\$ 581,837
As a % of Payroll	4.4%	8.4%

As of December 31, 2002 the total unfunded actuarial accrued liability computed for the City's retiree health benefits was \$8,889,702.

NOTE H - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

- P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.
- During the year ended December 31, 2003, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Amended Budget	Actual Expenditures
<b>Budget Stabilization Fund</b>	\$400,000	\$500,000

- The budget overage in the budget stabilization fund resulted from the need to transfer at year-end additional operating funds to the general fund.
- All expenditures over appropriations have either been paid by available revenues, transfers from other funds or by reduction of the current fund balance.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE I - RISK MANAGEMENT

- The City purchases insurance, participates in public entity risk pools and is self-insured for the various risks associated with City operations. The City's risk financing activities are accounted for in the general insurance internal service fund. Significant risk management activities of the City are accounted for and disclosed below as required by GASB 10.
- The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability and property insurance coverage as a member of the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing liability and property coverage to its participating members. The City pays an annual premium to MMRMA for liability insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$75,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2003 and 2002 were as follows:

	City General Liability	
	2003	2002
Claims Liability at January 1	\$119,422	\$245,152
Current Year Claims and Changes in Estimates	115,266	136,525
Claim Payments	<u>(113,859)</u>	<u>(262,255)</u>
Claims Liability at December 31	<u>\$120,829</u>	<u>\$119,422</u>

- The City manages workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public risk pool providing workers' compensation coverage to its members. The City pays an annual premium to MMWCSIF for its workers compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.
- The City is self-insured for employee health care benefits for those employees selecting the City plan over other options. Under this plan, the general insurance fund provides coverage for up to a maximum of \$125,000 per covered individual. As of December 31, 2003, the claims liability including incurred but not reported claims was \$97,521. A liability was recorded in the accompanying financial statements for the estimated claims liability. The claims liability was based on past experience, a review of pending claims and other social and economic factors. The above estimate was not discounted and there were no outstanding claims for which annuity contracts have been purchased in the claimant's name. No significant reductions in insurance coverage were made in the last fiscal year. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2003 and 2002 were as follows:

	City Employee Medical	
	2003	2002
Claims Liability at January 1	\$97,055	\$44,548
Current Year Claims and Changes in Estimates	1,527,828	1,520,235
Claim Payments	<u>(1,527,362)</u>	<u>(1,467,728)</u>
Claims Liability at December 31	<u>\$97,521</u>	<u>\$97,055</u>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE J - CONTINGENCIES

- The City has advanced funds in the amount of \$1,933,844 to the Downtown Development Authority (DDA) for activities involving redevelopment of the downtown area. Repayment of these advances is contingent upon collection of tax increment revenue (or "Proposal A" replacement revenues from the State) in excess of the amounts needed for debt service payments on outstanding bond issues. Repayment was uncertain and the advances were written off for financial statement purposes. If excess tax increment revenue (or "Proposal A" replacement revenues from the State) become available, the City will apply such revenue to repayment of the advances. The following advances were outstanding at December 31, 2003:

Date of Obligation	Original Amount	Outstanding Balance	Interest Rate
8/10/1989	\$1,150,000	\$1,150,000	0.0%
8/31/1989	783,844	662,032	7.0%

- The City is party to various other legal proceedings and claims which normally occur in governmental operations. Although the outcome of these legal proceedings and claims are not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.
- In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE K - DESIGNATED FUND BALANCE

- Unreserved fund balances designated for specific purposes at December 31, 2003, are as follows:

Public Improvement Fund	
Designated for Fire Equipment Replacement	\$316,586
Designated for Pere Marquette Park Improvements	<u>5,982</u>
	<u>\$322,568</u>

NOTE L – SUBSEQUENT YEAR INFORMATION

- The City issued \$13,900,000 of water system revenue bonds through the Michigan Municipal Bond Authority to finance improvements at the water filtration plant. The bonds are dated March 25, 2004 and carry a fixed interest rate of 2.125%. The bonds are to be paid over twenty years with the first principal payment being made in 2006.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

NOTE M – SALE OF WATER SYSTEM

- During 2003, the City sold a part of its water system ("southside system") to Muskegon Charter Township. Ownership of the system and related issues had been the subject of litigation. Major terms of the sale are as follows:
- \$1,000,000 cash payment by the Township to the City in two equal annual installments in 2003 and 2004;
  - City agreed to waive hydrant rental fees in the amount of \$257,000 that had been in dispute;
  - Wholesale water sales by the City to the Township at a rate of 1.35 times the rate the City charges its residents;
  - The City to continue maintenance of the system under contractual arrangement; and
  - Township dismissed its lawsuit against the City.

At the time of sale, assets of the southside water system including receivables associated with hydrant rentals were carried on the City's books at a value of \$1,093,267. The sale price of \$1,000,000 resulted in a loss on the sale of \$93,267, which is shown in the water fund.

NOTE N – SUPPLEMENTAL INFORMATION TO STATEMENT OF CASHFLOWS

- A noncash transaction consisting of a payment due in the amount of \$500,000 for the sale of the southside water system to Muskegon Charter Township has been included in the accompanying water fund financial statements.

NOTE O – STATE CONSTRUCTION CODE ACT

- P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies of construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services. The fees generated by the City's enforcing agencies and the costs of providing those services were as follows for the year ended December 31, 2003:

<hr/>	
Revenues	
Building permits	\$275,642
Plumbing permits	50,030
Mechanical permits	94,013
Electrical permits	125,718
Total Revenues	<hr/> \$545,403
Expenses	
Salaries and benefits	\$761,792
Supplies	18,780
Contractual services	152,279
Other expenses	14,710
Total Expenses	<hr/> \$947,561
Deficiency of revenues under expenses	<hr/> (\$402,158) <hr/>

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

City of Muskegon  
General Fund

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

Year Ended December 31, 2003  
(With Comparative Actual Amounts for Year Ended December 31, 2002)

	2003			Variance - With Amended Budget Positive (Negative)	2002
	Original Budget	Amended Budget	Actual		Actual
Revenues					
Taxes					
City income tax	\$ 6,650,000	\$ 6,518,400	\$ 6,542,355	\$ 23,955	\$ 6,692,609
Property taxes	6,235,154	6,216,700	6,175,861	(40,839)	6,280,466
Industrial facilities taxes	341,539	405,600	446,557	40,957	388,718
Payments in lieu of taxes	80,000	70,000	70,085	85	73,191
Delinquent chargeback collected	10,000	11,800	11,886	86	30,056
Total taxes	13,316,693	13,222,500	13,246,744	24,244	13,465,040
Licenses and permits					
Business licenses	34,500	28,400	28,455	55	31,525
Liquor licenses	37,500	36,400	36,427	27	35,543
Cable TV fees	265,000	265,500	265,532	32	258,425
Telecom fees	27,483	32,000	32,024	24	-
Housing licenses	75,000	96,200	96,265	65	64,565
Burial permits	100,000	103,500	103,564	64	103,636
Building permits	300,000	275,600	275,642	42	365,561
Electrical permits	100,000	125,700	125,718	18	87,788
Plumbing permits	50,000	50,000	50,030	30	66,741
Mechanical permits	80,000	94,000	94,013	13	56,222
Police gun registration	800	1,100	1,110	10	1,230
Total licenses and permits	1,070,283	1,108,400	1,108,780	380	1,071,236
Federal grants					
Federal operational grants	80,000	211,500	211,597	97	278,308
State grants					
State operational grants	52,635	23,200	23,264	64	11,316
State shared revenues					
State sales tax	5,550,302	4,951,200	4,938,861	(12,339)	5,353,987
Charges for services					
Tax administration fees	258,000	264,900	264,949	49	258,323
Utility administration fees	183,439	183,400	183,439	39	174,965
Downtown Development Authority administration fees	10,000	10,000	10,000	-	10,000
Reimbursement for elections	12,000	30,600	30,648	48	24,455
Indirect cost reimbursement	974,894	974,800	974,894	94	892,080
Site plan review fee	1,000	700	780	80	1,086
Sale of cemetery lots	18,000	18,200	18,233	33	14,988
Police miscellaneous	65,000	83,000	83,060	60	74,044
Police impound fees	40,000	65,000	65,010	10	51,225
Landlord's alert fee	-	300	315	15	2,630
Fire protection-state property	85,000	45,900	45,965	65	42,052
Zoning fees	10,000	11,800	11,880	80	13,955
Clerk fees	2,230	2,000	2,022	22	2,738
Clerk fees - passport fees	3,500	1,700	1,735	35	-
Tax abatement application fees	1,000	16,000	16,020	20	1,423
Treasurer fees	25,000	20,700	20,702	2	40,635
False alarm fees	10,000	11,400	11,429	29	17,738
Miscellaneous cemetery income	21,000	21,700	21,763	63	25,569
Senior transit program fees	8,000	6,600	6,651	51	7,376
Fire miscellaneous	15,000	11,400	11,410	10	3,858
Township electrical services	-	13,200	13,297	97	-
Sanitation stickers	42,000	46,200	49,856	3,656	51,081
Lot cleanup fees	70,000	91,700	91,709	9	134,156
Reimbursements - lot mowing and demolitions	70,000	158,300	158,315	15	129,421
Special events reimbursements	-	30,600	30,610	10	-
Recreation program fees	130,000	116,100	116,174	74	127,558
Total charges for services	2,055,063	2,236,200	2,240,866	4,666	2,101,356

City of Muskegon  
General Fund

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

Year Ended December 31, 2003  
(With Comparative Actual Amounts for Year Ended December 31, 2002)

	2003				2002
	Original Budget	Amended Budget	Actual	Variance - With Amended Budget Positive (Negative)	Actual
Revenues (continued)					
Interest and rental income					
Interest	150,000	48,500	48,583	83	181,931
Flea market	27,000	31,800	31,867	67	27,526
Farmers' market	23,000	29,800	29,880	80	27,783
City right of way rental	4,400	4,400	4,400	-	6,400
Parking ramp rentals	5,000	6,000	6,017	17	24,991
McGraft park rentals	54,000	41,300	41,338	38	37,697
Other park rentals	32,200	27,400	27,400	-	26,232
Total interest and rental income	295,600	189,200	189,485	285	332,560
Fines and fees					
Income tax - penalty and interest	90,000	194,500	194,562	62	166,621
Late fees on current taxes	25,000	52,700	52,791	91	18,006
Interest on late invoices	1,200	500	549	49	589
Parking fines	80,000	71,600	71,698	98	61,957
Court fines	160,000	151,500	152,082	582	146,141
Total fines and fees	356,200	470,800	471,682	882	393,314
Other					
Sale of land and assets	3,000	-	-	-	-
Police sale and auction proceeds	4,000	1,100	1,139	39	3,089
CDBG program reimbursements	250,000	234,000	234,079	79	372,492
Contributions	11,000	35,400	35,461	61	45,140
Community Foundation for Muskegon County	7,000	33,000	33,000	-	-
Miscellaneous reimbursements	1,000	14,200	14,232	32	-
Miscellaneous and sundry	15,000	13,200	13,284	84	18,341
Total other	291,000	330,900	331,195	295	439,062
Total revenues	23,067,776	22,743,900	22,762,474	18,574	23,446,179
Expenditures					
Current					
Public representation services					
City commission	131,757	106,000	103,449	2,551	131,889
City promotions and public relations	45,572	31,000	30,552	448	26,507
City manager	200,201	190,000	188,327	1,673	180,539
Contributions to outside agencies	188,000	184,000	182,259	1,741	195,582
City attorney	424,201	385,000	384,601	399	450,590
Total public representation services	989,731	896,000	889,188	6,812	985,107
Administrative services					
Administration	170,384	149,000	145,710	3,290	153,297
City clerk	311,698	323,000	319,921	3,079	354,282
Civil service	214,011	216,000	214,794	1,206	208,284
Julia Hackley internships	7,010	8,000	7,837	163	8,885
Affirmative action	101,812	100,000	97,704	2,296	91,833
Total administrative services	804,915	796,000	785,966	10,034	816,581
Financial services					
Finance administration	396,495	399,000	396,077	2,923	411,138
Assessing	405,771	403,000	400,986	2,014	397,079
Income tax administration	295,087	301,000	298,172	2,828	273,573
Information systems	352,501	360,000	357,749	2,251	350,832
City treasurer	366,877	395,000	393,574	1,426	365,040
Total financial services	1,816,731	1,858,000	1,846,558	11,442	1,797,662
Public safety					
Police department	7,428,845	7,125,000	7,123,529	1,471	7,177,466
Fire department	3,244,572	3,368,636	3,366,426	2,210	3,313,849
Fire safety inspections	1,081,524	950,000	947,561	2,439	1,006,358
Total public safety	11,754,941	11,443,636	11,437,516	6,120	11,497,673

City of Muskegon  
General Fund

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

Year Ended December 31, 2003  
(With Comparative Actual Amounts for Year Ended December 31, 2002)

	2003				2002
	Original Budget	Amended Budget	Actual	Variance - With Amended Budget Positive (Negative)	Actual
Expenditures (continued)					
Current (continued)					
Public works					
Streetlighting	520,000	510,000	509,524	476	522,412
Community event support	93,972	56,000	55,104	896	43,720
Senior citizen transit	55,373	50,000	48,886	1,114	55,003
General sanitation	1,537,209	1,612,000	1,608,639	3,361	1,519,940
Recycling	261,500	235,000	233,308	1,692	218,067
Stormwater management	55,550	8,000	6,905	1,095	23,724
City hall maintenance	278,980	271,000	268,875	2,125	297,829
Total public works	2,802,584	2,742,000	2,731,241	10,759	2,680,695
Leisure services					
Parks maintenance	1,287,278	1,294,000	1,290,790	3,210	1,382,616
McGraft park maintenance	54,036	47,000	44,940	2,060	41,012
General and inner city recreation programs	498,849	467,000	464,791	2,209	487,932
Cemeteries maintenance	505,999	512,000	510,780	1,220	485,437
Forestry	142,323	139,000	136,674	2,326	107,423
Parking operations	46,351	132,000	130,356	1,644	61,338
Farmers' market and flea market	42,488	48,000	45,944	2,056	45,177
Total leisure services	2,577,324	2,639,000	2,624,275	14,725	2,610,935
Planning and economic development					
Planning, zoning and economic development	512,099	515,000	512,686	2,314	466,810
Environmental services	413,297	477,000	474,411	2,589	504,525
Total planning and economic development	925,396	992,000	987,097	4,903	971,335
Other governmental functions					
Insurance premiums	365,000	336,000	335,805	195	281,887
Other	400,000	324,364	324,125	239	495,551
Total other governmental functions	765,000	660,364	659,930	434	777,438
Capital outlay					
Major capital improvements	85,000	286,000	285,310	690	140,413
Debt service					
Principal	195,000	195,000	195,000	-	185,000
Interest	17,006	23,000	22,397	603	31,860
Total debt service	212,006	218,000	217,397	603	216,860
Total expenditures	22,733,628	22,531,000	22,464,478	66,522	22,494,699
Excess (deficiency) of revenues over expenditures	334,148	212,900	297,996	85,096	951,480
Other financing sources (uses)					
Transfers in	690,000	566,300	566,282	(18)	170,985
Transfers out	(1,110,000)	(1,241,000)	(1,240,856)	144	(1,476,837)
Total other financing sources (uses)	(420,000)	(674,700)	(674,574)	126	(1,305,852)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(85,852)	(461,800)	(376,578)	85,222	(354,372)
Fund balances at beginning of year	2,807,996	2,807,996	2,807,996	-	3,162,368
Fund balances at end of year	\$ 2,722,144	\$ 2,346,196	\$ 2,431,418	\$ 85,222	\$ 2,807,996

City of Muskegon  
Major Special Revenue Funds

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL**

Year Ended December 31, 2003

	Major Street and Trunkline Fund				Local Street Fund			
	Original Budget	Amended Budget	Actual	Variance-With Amended Budget Positive (Negative)	Original Budget	Amended Budget	Actual	Variance-With Amended Budget Positive (Negative)
Revenues								
Special assessments	\$ 200,000	\$ 350,000	\$ 358,650	\$ 8,650	\$ 100,000	\$ 240,770	\$ 240,781	\$ 11
Federal grants	656,000	1,975,000	1,275,245	(699,755)	-	246,000	246,000	-
State grants	10,950,000	4,420,545	4,561,233	140,688	100,000	1,120,770	1,120,771	1
State shared revenues	2,675,215	2,400,000	2,499,757	99,757	654,351	666,650	666,649	(1)
Charges for services	320,000	350,000	439,219	89,219	-	-	-	-
Interest income	100,000	125,000	169,533	44,533	19,000	15,125	15,133	8
Other	288	55	56	1	1,000	585	586	1
Total revenues	14,901,503	9,620,600	9,303,693	(316,907)	874,351	2,289,900	2,289,920	20
Expenditures								
Current								
Highway, streets and bridges	15,620,290	8,836,000	8,340,206	495,794	1,619,186	3,402,830	3,459,811	(56,981)
Debt service								
Principal	550,000	550,000	550,000	-	-	-	-	-
Interest	90,413	100,000	97,425	2,575	-	-	-	-
Total expenditures	16,260,703	9,486,000	8,987,631	498,369	1,619,186	3,402,830	3,459,811	(56,981)
Excess (deficiency) of revenues over expenditures	(1,359,200)	134,600	316,062	181,462	(744,835)	(1,112,930)	(1,169,891)	(56,961)
Other financing sources (uses)								
Transfers in	-	-	-	-	710,000	1,370,000	1,370,000	-
Transfers out	-	(525,000)	(525,049)	(49)	-	(64,170)	(64,169)	1
Total other financing sources (uses)	-	(525,000)	(525,049)	(49)	710,000	1,305,830	1,305,831	1
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,359,200)	(390,400)	(208,987)	181,413	(34,835)	192,900	135,940	(56,960)
Fund balances at beginning of year	1,622,095	1,622,095	1,622,095	-	9,701	9,701	9,701	-
Fund balances at end of year	\$ 262,895	\$ 1,231,695	\$ 1,413,108	\$ 181,413	\$ (25,134)	\$ 202,601	\$ 145,641	\$ (56,960)

City of Muskegon  
REQUIRED SUPPLEMENTARY INFORMATION FOR PENSION PLANS - GASB 25  
December 31, 2003

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Schedule of Funding Progress						
Actuarial Valuation Date December 31,	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement System</u>						
1998	\$25,503,969	\$20,235,071	(\$5,268,898)	126.0%	\$5,937,337	-
1999	26,388,008	22,230,860	(4,157,148)	118.7%	6,119,765	-
2000	27,339,523	23,036,525	(4,302,998)	118.7%	6,270,574	-
2001	27,797,306	24,566,385	(3,230,921)	113.2%	6,296,642	-
2002	26,881,785	25,872,132	(1,009,653)	103.9%	6,545,937	-
<u>Policemen and Firemen Retirement System</u>						
1998	\$38,016,174	\$31,981,726	(\$6,034,448)	118.9%	\$5,452,784	-
1999	39,642,868	34,735,474	(4,907,394)	114.1%	6,245,973	-
2000	40,598,831	37,547,042	(3,051,789)	108.1%	6,417,659	-
2001	40,380,489	38,591,701	(1,788,788)	104.6%	6,069,551	-
2002	38,279,705	41,511,057	3,231,352	92.2%	6,391,031	50.6%

Schedule of Employer Contributions				
Fiscal Year Ended December 31,	Contribution Rates as Percentage of Valuation Payroll	Annual Required Contribution	Actual Annual Contribution	Percentage Contributed
<u>General Employees Retirement System</u>				
1998	0.75%	\$45,654	\$45,654	100.00%
1999	0.00%	-	11	-
2000	0.80%	50,987	50,987	100.00%
2001	0.00%	-	-	-
2002	0.00%	-	-	-
<u>Policemen and Firemen Retirement System</u>				
1998	4.03%	\$221,893	\$221,893	100.00%
1999	2.35%	130,385	130,385	100.00%
2000	1.54%	98,491	98,491	100.00%
2001	1.47%	96,549	96,549	100.00%
2002	4.30%	290,431	290,431	100.00%

## **Non-Major Governmental Funds**

### **Special Revenue Funds**

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

Budget Stabilization – to account for funds appropriated from the City's general fund for the purpose of mitigating adverse effects on the City's budget from downturns in the business cycle.

Criminal Forfeitures – to account for receipts generated through the sale of assets seized through criminal court proceedings.

Land Reutilization – to account for proceeds received from the sale of tax reverted properties and costs associated with improving and marketing these properties.

Tree Replacement – to account for contributions and other revenues earmarked for tree replacement throughout the City.

Enterprise Community – to account for federal grant revenues received under the Title XX Enterprise Communities program.

L.C. Walker Arena – to account for revenues received for the operation and maintenance of the L.C. Walker Arena.

### **Debt Service Funds**

Debt service funds are used to record the funding and payment of principal and interest on general long-term debt.

TIFA Debt Service – to account for the accumulation of resources and the payment of costs for the benefit of the district.

Special Assessment Debt Service – to account for the accumulation of resources and the payment of principal and interest on the Special Assessment Improvement Bonds of 1998.

### **Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Sidewalk Replacement – to account for resources allocated for a multi-year citywide sidewalk replacement program.

Michcon Remediation – to account for reimbursements received from Michcon Gas Company for environmental remediation of their former downtown site.

Public Improvement – to account for grants, private contributions, sale of property and other financial resources used to finance various capital projects.

Community Development Block Grant – to account for categorical grants received from the U. S. Department of Housing and Urban Development for the construction of major city public improvements and the rehabilitation of residential housing and other qualifying expenditures.

State Grants – to account for grant revenues received from the State of Michigan and earmarked for the purpose of improvements and/or rehabilitation of City property, environmental remediation at lakeshore sites or new infrastructure in the City's downtown.

Lakeshore Trail – to account for funds received for the purpose of constructing the Lakeshore Trails.

HOME Rehabilitation – to account for grant revenues received from the U.S. Department of Housing and Urban Development for the purpose of providing housing assistance to low and moderate income households in the City.

EDC Revolving Loan – to account for funds received upon repayment of UDAG loans and subsequently reloaned to small business enterprises.

EC Micro Loan – to account for grant funds received through the Federal Enterprise Community program for purposes of making small loans to startup business enterprises and to account for repayment of those loans.

### **Permanent Funds**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care – to account for charges for services collected and investment income earned and to account for transfers to the general fund to partially cover cemetery perpetual care expenses.

**City of Muskegon  
Non-Major Governmental Funds**

**COMBINING BALANCE SHEET**

**December 31, 2003**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Fund -Cemetery Perpetual Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,690,438	\$ 135,750	\$ 3,481,631	\$ -	\$ 5,307,819
Investments	-	-	-	1,293,542	1,293,542
Receivables					
Accounts and loans	37,684	-	624,583	20,374	682,641
Special assessment	-	18,205	1,287,098	-	1,305,303
Property taxes	-	57,959	-	-	57,959
Due from other funds	-	-	177,313	-	177,313
Due from other governmental units	4,281	-	1,227,994	-	1,232,275
Prepaid items	2,235	-	-	-	2,235
<b>TOTAL ASSETS</b>	<b>\$ 1,734,638</b>	<b>\$ 211,914</b>	<b>\$ 6,798,619</b>	<b>\$ 1,313,916</b>	<b>\$ 10,059,087</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 11,499	\$ -	\$ 81,306	\$ -	\$ 92,805
Accrued payroll	279	-	5,899	-	6,178
Due to other funds	4,281	-	1,332,505	113,336	1,450,122
Deferred revenue	-	57,959	1,529,041	-	1,587,000
<b>Total liabilities</b>	<b>16,059</b>	<b>57,959</b>	<b>2,948,751</b>	<b>113,336</b>	<b>3,136,105</b>
<b>Fund balances</b>					
Reserved for prepaid items	2,235	-	-	-	2,235
Reserved for perpetual care	-	-	-	1,136,782	1,136,782
Unreserved					
Designated for approved projects	-	-	322,568	-	322,568
Undesignated	1,716,344	153,955	3,527,300	63,798	5,461,397
<b>Total fund balances</b>	<b>1,718,579</b>	<b>153,955</b>	<b>3,849,868</b>	<b>1,200,580</b>	<b>6,922,982</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,734,638</b>	<b>\$ 211,914</b>	<b>\$ 6,798,619</b>	<b>\$ 1,313,916</b>	<b>\$ 10,059,087</b>

**City of Muskegon**  
**Non-Major Governmental Funds**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**Year Ended December 31, 2003**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Fund - Cemetery Perpetual Care	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ -	\$ 60,054	\$ -	\$ -	\$ 60,054
Special assessments	-	28,384	345,052	-	373,436
Federal grants	4,000	-	2,661,764	-	2,665,764
State grants	-	-	669,930	-	669,930
Charges for services	598,334	-	-	29,188	627,522
Interest income	3,782	5,051	111,255	22,243	142,331
Other	41,130	-	187,205	-	228,335
Total revenues	647,246	93,489	3,975,206	51,431	4,767,372
Expenditures					
Current					
Public safety	1,971	-	-	-	1,971
Other governmental functions	928,971	671	-	-	929,642
Capital outlay	-	-	4,211,321	-	4,211,321
Debt services					
Principal	-	57,987	467,013	-	525,000
Interest	-	11,674	99,411	-	111,085
Total expenditures	930,942	70,332	4,777,745	-	5,779,019
Excess (deficiency) of revenues over expenditures	(283,696)	23,157	(802,539)	51,431	(1,011,647)
Other financing sources (uses)					
Transfers in	330,000	-	474,460	-	804,460
Sale of property	-	-	282,080	-	282,080
Bonds issued	-	-	1,575,000	-	1,575,000
Premium on bonds	-	-	3,009	-	3,009
Transfers out	(500,000)	(120,000)	(229,386)	(61,282)	(910,668)
Total other financing sources (uses)	(170,000)	(120,000)	2,105,163	(61,282)	1,753,881
Excess (deficiency) of revenues and other sources over expenditures and other uses	(453,696)	(96,843)	1,302,624	(9,851)	742,234
Fund balances at beginning of year	2,172,275	250,798	2,547,244	1,210,431	6,180,748
Fund balances at end of year	\$ 1,718,579	\$ 153,955	\$ 3,849,868	\$ 1,200,580	\$ 6,922,982

**City of Muskegon  
Non-Major Special Revenue Funds**

**COMBINING BALANCE SHEET**

**December 31, 2003**

	<b>Budget Stabilization</b>	<b>Criminal Forfeitures</b>	<b>Land Reutilization</b>	<b>Tree Replacement</b>	<b>Enterprise Community</b>	<b>L.C. Walker Arena</b>	<b>Combined Totals</b>
<b><u>ASSETS</u></b>							
Cash and cash equivalents	\$ 1,500,000	\$ 144,980	\$ 23,576	\$ 12,834	\$ -	\$ 9,048	\$ 1,690,438
Accounts receivable	-	-	-	-	-	37,684	37,684
Due from other governmental units	-	-	-	-	4,281	-	4,281
Prepaid items	-	-	-	-	-	2,235	2,235
<b>TOTAL ASSETS</b>	<b>\$ 1,500,000</b>	<b>\$ 144,980</b>	<b>\$ 23,576</b>	<b>\$ 12,834</b>	<b>\$ 4,281</b>	<b>\$ 48,967</b>	<b>\$ 1,734,638</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ 11,099	\$ 11,499
Accrued payroll	-	-	-	-	-	279	279
Due to other funds	-	-	-	-	4,281	-	4,281
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>4,281</b>	<b>11,378</b>	<b>16,059</b>
<b>Fund balances</b>							
Reserved for prepaid items	-	-	-	-	-	2,235	2,235
Unreserved	1,500,000	144,980	23,576	12,434	-	35,354	1,716,344
<b>Total fund balances</b>	<b>1,500,000</b>	<b>144,980</b>	<b>23,576</b>	<b>12,434</b>	<b>-</b>	<b>37,589</b>	<b>1,718,579</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,500,000</b>	<b>\$ 144,980</b>	<b>\$ 23,576</b>	<b>\$ 12,834</b>	<b>\$ 4,281</b>	<b>\$ 48,967</b>	<b>\$ 1,734,638</b>

City of Muskegon  
Non-Major Special Revenue Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

Year Ended December 31, 2003

	Budget Stabilization	Criminal Forfeitures	Land Reutilization	Tree Replacement	Enterprise Community	L.C. Walker Arena	Combined Totals
Revenues							
Federal grants	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ 4,000
Charges for services	-	-	-	1,047	-	597,287	598,334
Interest income	-	1,880	414	157	-	1,331	3,782
Other	-	38,064	-	-	-	3,066	41,130
Total revenues	-	39,944	414	5,204	-	601,684	647,246
Expenditures							
Current							
Public safety	-	1,971	-	-	-	-	1,971
Other governmental functions	-	-	-	400	-	928,571	928,971
Total expenditures	-	1,971	-	400	-	928,571	930,942
Excess (deficiency) of revenues over expenditures	-	37,973	414	4,804	-	(326,887)	(283,696)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	330,000	330,000
Transfers out	(500,000)	-	-	-	-	-	(500,000)
Total other financing sources (uses)	(500,000)	-	-	-	-	330,000	(170,000)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(500,000)	37,973	414	4,804	-	3,113	(453,696)
Fund balances at beginning of year	2,000,000	107,007	23,162	7,630	-	34,476	2,172,275
Fund balances at end of year	\$ 1,500,000	\$ 144,980	\$ 23,576	\$ 12,434	\$ -	\$ 37,589	\$ 1,718,579

City of Muskegon  
Non-Major Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended December 31, 2003

	Budget Stabilization Fund			Criminal Forfeitures Fund			Land Reutilization		
	Amended Budget	Actual	Variance- Positive (Negative)	Amended Budget	Actual	Variance- Positive (Negative)	Amended Budget	Actual	Variance- Positive (Negative)
Revenues									
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	1,800	1,880	80	400	414	14
Other	-	-	-	38,100	38,064	(36)	-	-	-
Total revenues	-	-	-	39,900	39,944	44	400	414	14
Expenditures									
Current									
Public safety	-	-	-	2,000	1,971	29	-	-	-
Other governmental functions	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	2,000	1,971	29	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	37,900	37,973	73	400	414	14
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(400,000)	(500,000)	(100,000)	-	-	-	-	-	-
Total other financing sources (uses)	(400,000)	(500,000)	(100,000)	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(400,000)	(500,000)	(100,000)	37,900	37,973	73	400	414	14
Fund balances at beginning of year	2,000,000	2,000,000	-	107,007	107,007	-	23,162	23,162	-
Fund balances at end of year	\$ 1,600,000	\$ 1,500,000	\$ (100,000)	\$ 144,907	\$ 144,980	\$ 73	\$ 23,562	\$ 23,576	\$ 14

City of Muskegon  
Non-Major Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Tree Replacement Fund			Enterprise Community Fund			L. C. Walker Arena Fund		
	Amended Budget	Actual	Variance- Positive (Negative)	Amended Budget	Actual	Variance- Positive (Negative)	Amended Budget	Actual	Variance- Positive (Negative)
Revenues									
Federal grants	\$ 4,000	\$ 4,000	\$ -	\$ 86,000	\$ -	\$ (86,000)	\$ -	\$ -	\$ -
Charges for services	1,000	1,047	47	-	-	-	595,000	597,287	2,287
Interest income	200	157	(43)	-	-	-	1,000	1,331	331
Other	-	-	-	-	-	-	1,400	3,066	1,666
Total revenues	5,200	5,204	4	86,000	-	(86,000)	597,400	601,684	4,284
Expenditures									
Current									
Public safety	-	-	-	-	-	-	-	-	-
Other governmental functions	1,000	400	600	86,000	-	86,000	929,000	928,571	429
Total expenditures	1,000	400	600	86,000	-	86,000	929,000	928,571	429
Excess (deficiency) of revenues over expenditures	4,200	4,804	604	-	-	-	(331,600)	(326,887)	4,713
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	330,000	330,000	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	330,000	330,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,200	4,804	604	-	-	-	(1,600)	3,113	4,713
Fund balances at beginning of year	7,630	7,630	-	-	-	-	34,476	34,476	-
Fund balances at end of year	\$ 11,830	\$ 12,434	\$ 604	\$ -	\$ -	\$ -	\$ 32,876	\$ 37,589	\$ 4,713

**City of Muskegon  
Non-Major Debt Service Funds**

**COMBINING BALANCE SHEET**

**December 31, 2003**

	TIFA Debt Service	Special Assessment Debt Service	Combined Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 849	\$ 134,901	\$ 135,750
Receivables			
Special assessments	-	18,205	18,205
Property taxes	57,959	-	57,959
TOTAL ASSETS	<u>\$ 58,808</u>	<u>\$ 153,106</u>	<u>\$ 211,914</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Deferred revenue	\$ 57,959	\$ -	\$ 57,959
Fund balances			
Unreserved	849	153,106	153,955
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,808</u>	<u>\$ 153,106</u>	<u>\$ 211,914</u>

**City of Muskegon**  
**Non-Major Debt Service Funds**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**Year Ended December 31, 2003**

	<b>TIFA Debt Service</b>	<b>Special Assessment Debt Service</b>	<b>Combined Totals</b>
Revenues			
Property taxes	\$ 60,054	\$ -	\$ 60,054
Special assessments	-	28,384	28,384
Interest income	1,038	4,013	5,051
Total revenues	<u>61,092</u>	<u>32,397</u>	<u>93,489</u>
Expenditures			
Current			
Other governmental functions	-	671	671
Debt service			
Principal	-	57,987	57,987
Interest	-	11,674	11,674
Total expenditures	<u>-</u>	<u>70,332</u>	<u>70,332</u>
Excess (deficiency) of revenues over expenditures	61,092	(37,935)	23,157
Other financing (uses)			
Transfers out	<u>(120,000)</u>	-	<u>(120,000)</u>
Deficiency of revenues under expenditures and other uses	(58,908)	(37,935)	(96,843)
Fund balances at beginning of year	<u>59,757</u>	<u>191,041</u>	<u>250,798</u>
Fund balances at end of year	<u>\$ 849</u>	<u>\$ 153,106</u>	<u>\$ 153,955</u>

**City of Muskegon  
Non-Major Capital Projects Funds**

**COMBINING BALANCE SHEET**

**December 31, 2003**

	<b>Sidewalk Replacement</b>	<b>Michcon Remediation</b>	<b>Public Improvement</b>	<b>Community Development Block Grant</b>	<b>State Grants</b>	<b>Lakeshore Trail</b>	<b>HOME Rehabilitation</b>	<b>EDC Revolving Loan</b>	<b>EC Micro Loan</b>	<b>Combined Totals</b>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 863,631	\$ 187,143	\$ 1,043,941	\$ -	\$ -	\$ 458,664	\$ -	\$ 928,252	\$ -	\$ 3,481,631
Receivables (net of allowance for uncollectibles)										
Accounts and loans	-	-	100	611,865	-	-	-	7,499	5,119	624,583
Special assessments	1,287,098	-	-	-	-	-	-	-	-	1,287,098
Due from other funds	-	-	-	-	177,313	-	-	-	-	177,313
Due from other governmental units	-	-	390,600	-	440,741	-	335,347	-	61,306	1,227,994
<b>TOTAL ASSETS</b>	<b>\$ 2,150,729</b>	<b>\$ 187,143</b>	<b>\$ 1,434,641</b>	<b>\$ 611,865</b>	<b>\$ 618,054</b>	<b>\$ 458,664</b>	<b>\$ 335,347</b>	<b>\$ 935,751</b>	<b>\$ 66,425</b>	<b>\$ 6,798,619</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	\$ -	\$ -	\$ 209	\$ 17,179	\$ 20,734	\$ -	\$ 43,184	\$ -	\$ -	\$ 81,306
Accrued payroll	-	-	-	4,790	-	-	1,109	-	-	5,899
Due to other funds	-	-	-	235,344	595,801	177,313	291,054	-	32,993	1,332,505
Deferred revenue	1,117,836	-	26,000	354,552	-	-	-	-	30,653	1,529,041
<b>Total liabilities</b>	<b>1,117,836</b>	<b>-</b>	<b>26,209</b>	<b>611,865</b>	<b>616,535</b>	<b>177,313</b>	<b>335,347</b>	<b>-</b>	<b>63,646</b>	<b>2,948,751</b>
<b>Fund balances</b>										
Unreserved										
Designated for approved projects	-	-	322,568	-	-	-	-	-	-	322,568
Undesignated	1,032,893	187,143	1,085,864	-	1,519	281,351	-	935,751	2,779	3,527,300
<b>Total fund balances</b>	<b>1,032,893</b>	<b>187,143</b>	<b>1,408,432</b>	<b>-</b>	<b>1,519</b>	<b>281,351</b>	<b>-</b>	<b>935,751</b>	<b>2,779</b>	<b>3,849,868</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,150,729</b>	<b>\$ 187,143</b>	<b>\$ 1,434,641</b>	<b>\$ 611,865</b>	<b>\$ 618,054</b>	<b>\$ 458,664</b>	<b>\$ 335,347</b>	<b>\$ 935,751</b>	<b>\$ 66,425</b>	<b>\$ 6,798,619</b>

City of Muskegon  
Non-Major Capital Projects Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

Year Ended December 31, 2003

	Sidewalk Replacement	Michcon Remediation	Public Improvement	Community Development Block Grant	State Grants	Lakeshore Trail	HOME Rehabilitation	EDC Revolving Loan	EC Micro Loan	Combined Totals
Revenues										
Special assessments	\$ 345,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 345,052
Federal grants	-	-	390,600	1,260,243	212,473	-	767,795	-	30,653	2,661,764
State grants	-	-	-	-	669,930	-	-	-	-	669,930
Interest income	66,211	3,314	16,347	2,507	-	8,715	-	14,116	45	111,255
Other	3	-	75,454	69,288	25,000	-	-	17,460	-	187,205
Total revenues	411,266	3,314	482,401	1,332,038	907,403	8,715	767,795	31,576	30,698	3,975,206
Expenditures										
Capital outlay										
Personnel services	-	-	-	234,438	-	-	50,258	-	-	284,696
Operating supplies	-	-	-	224,013	-	-	-	-	-	224,013
Contractual services and other	574,174	1,690	107,705	939,723	1,141,126	1,300	885,542	451	50,901	3,702,612
Debt service										
Principal	317,013	-	150,000	-	-	-	-	-	-	467,013
Interest	99,411	-	-	-	-	-	-	-	-	99,411
Total expenditures	990,598	1,690	257,705	1,398,174	1,141,126	1,300	935,800	451	50,901	4,777,745
Excess (deficiency) of revenues over expenditures	(579,332)	1,624	224,696	(66,136)	(233,723)	7,415	(168,005)	31,125	(20,203)	(802,539)
Other financing sources (uses)										
Transfers in	89,218	-	150,000	-	235,242	-	-	-	-	474,460
Sale of property	-	-	47,939	66,136	-	-	168,005	-	-	282,080
Bonds issued	1,575,000	-	-	-	-	-	-	-	-	1,575,000
Premium on bonds	3,009	-	-	-	-	-	-	-	-	3,009
Transfers out	-	-	-	-	-	(224,386)	-	(5,000)	-	(229,386)
Total other financing sources (uses)	1,667,227	-	197,939	66,136	235,242	(224,386)	168,005	(5,000)	-	2,105,163
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,087,895	1,624	422,635	-	1,519	(216,971)	-	26,125	(20,203)	1,302,624
Fund balances (deficit) at beginning of year	(55,002)	185,519	985,797	-	-	498,322	-	909,626	22,982	2,547,244
Fund balances at end of year	\$ 1,032,893	\$ 187,143	\$ 1,408,432	\$ -	\$ 1,519	\$ 281,351	\$ -	\$ 935,751	\$ 2,779	\$ 3,849,868

## **DESCRIPTION OF INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit or to other governments on a cost-reimbursement basis.

A list and description of internal service funds maintained by the City follows:

Engineering Services - to account for salary, benefit and other costs related to the provision of internal engineering services for City projects; to account for charges to the user funds and projects to cover those expenses.

Equipment - to account for the purchase, operation, maintenance and depreciation of all City-owned vehicles and equipment; to account for charges to the user funds and departments to cover those expenses.

General Insurance - to account for the payment of claims and benefits, excess liability premiums and operating expenses; to account for charges to other funds and departments to cover the expenses.

Public Service Building - to account for the operation, maintenance and depreciation of the City's Public Service Building; to account for charges to the user funds and departments to cover these expenses.

**City of Muskegon  
Internal Service Funds**

**COMBINING STATEMENT OF FUND NET ASSETS**

**December 31, 2003**

	<b>Engineering Services</b>	<b>Equipment</b>	<b>General Insurance</b>	<b>Public Service Building</b>	<b>Combined Totals</b>
<b><u>ASSETS</u></b>					
Current assets					
Cash and cash equivalents	\$ 86,869	\$ 936,872	\$ 902,877	\$ 124,264	\$ 2,050,882
Accounts receivable	3,469	3,517	120,247	-	127,233
Inventories	-	10,404	-	-	10,404
Prepaid items	1,191	25,129	-	1,511	27,831
Total current assets	91,529	975,922	1,023,124	125,775	2,216,350
Noncurrent assets					
Land, construction in progress and other assets not being depreciated	-	43,410	-	65,000	108,410
Other capital assets, net of depreciation	1,767	1,846,243	-	913,653	2,761,663
Total noncurrent assets	1,767	1,889,653	-	978,653	2,870,073
<b>TOTAL ASSETS</b>	<b>\$ 93,296</b>	<b>\$ 2,865,575</b>	<b>\$ 1,023,124</b>	<b>\$ 1,104,428</b>	<b>\$ 5,086,423</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
Current liabilities					
Accounts payable	\$ 7,265	\$ 70,026	\$ 218,475	\$ 17,164	\$ 312,930
Accrued payroll	7,132	10,672	671	5,146	23,621
Compensated absences payable	29,909	40,068	1,922	21,956	93,855
Total current liabilities	44,306	120,766	221,068	44,266	430,406
Net assets					
Invested in capital assets	1,767	1,889,653	-	978,653	2,870,073
Unrestricted	47,223	855,156	802,056	81,509	1,785,944
Total net assets	48,990	2,744,809	802,056	1,060,162	4,656,017
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 93,296</b>	<b>\$ 2,865,575</b>	<b>\$ 1,023,124</b>	<b>\$ 1,104,428</b>	<b>\$ 5,086,423</b>

**City of Muskegon  
Internal Service Funds**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

**Year Ended December 31, 2003**

	<b>Engineering Services</b>	<b>Equipment</b>	<b>General Insurance</b>	<b>Public Service Building</b>	<b>Combined Totals</b>
Operating revenues					
Charges to other funds	\$ 516,169	\$ 2,299,746	\$ 2,449,390	\$ 612,766	\$ 5,878,071
Other revenues	6,308	95,004	127,635	14	228,961
Total operating revenues	<u>522,477</u>	<u>2,394,750</u>	<u>2,577,025</u>	<u>612,780</u>	<u>6,107,032</u>
Operating expenses					
Operating and administrative	548,673	1,637,285	36,828	469,620	2,692,406
Insurance premiums and claims	-	-	3,497,569	-	3,497,569
Depreciation and amortization	2,205	632,139	-	69,920	704,264
Total operating expenses	<u>550,878</u>	<u>2,269,424</u>	<u>3,534,397</u>	<u>539,540</u>	<u>6,894,239</u>
Operating income (loss)	(28,401)	125,326	(957,372)	73,240	(787,207)
Nonoperating revenues (expenses)					
Investment income	1,788	12,813	11,560	315	26,476
Gain on sale of fixed assets	-	15,053	-	-	15,053
Total nonoperating revenues (expenses)	<u>1,788</u>	<u>27,866</u>	<u>11,560</u>	<u>315</u>	<u>41,529</u>
Income (loss) before operating transfers	(26,613)	153,192	(945,812)	73,555	(745,678)
Transfers					
Transfers in	-	-	1,179,938	-	1,179,938
Change in net assets	(26,613)	153,192	234,126	73,555	434,260
Net assets at beginning of year	<u>75,603</u>	<u>2,591,617</u>	<u>567,930</u>	<u>986,607</u>	<u>4,221,757</u>
Net assets at end of year	<u>\$ 48,990</u>	<u>\$ 2,744,809</u>	<u>\$ 802,056</u>	<u>\$ 1,060,162</u>	<u>\$ 4,656,017</u>

**City of Muskegon  
Internal Service Funds**

**COMBINING STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2003**

	Engineering Services	Equipment	General Insurance	Public Service Building	Combined Totals
Cash flows from operating activities					
Receipts from customers	\$ 9,341	\$ 114,885	\$ 127,635	\$ -	\$ 251,861
Receipts for internal services provided	516,169	2,299,746	2,449,390	612,780	5,878,085
Payments to suppliers	(143,594)	(1,056,986)	(3,716,107)	(281,372)	(5,198,059)
Payments to employees	(316,022)	(381,152)	(25,106)	(161,460)	(883,740)
Payments to internal service funds	(82,013)	(243,599)	(9,386)	(33,643)	(368,641)
Net cash provided by (used for) operating activities	(16,119)	732,894	(1,173,574)	136,305	(320,494)
Cash flows from noncapital financing activities					
Transfers in	-	-	1,179,938	-	1,179,938
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(489,448)	-	(12,356)	(501,804)
Proceeds from sale of capital assets	-	23,401	-	-	23,401
Net cash used for capital and related financing activities	-	(466,047)	-	(12,356)	(478,403)
Cash flows from investing activities					
Interest and dividends on investments	1,788	12,813	11,560	315	26,476
Net increase (decrease) in cash and cash equivalents	(14,331)	279,660	17,924	124,264	407,517
Cash and cash equivalents at beginning of year	101,200	657,212	884,953	-	1,643,365
Cash and cash equivalents at end of year	\$ 86,869	\$ 936,872	\$ 902,877	\$ 124,264	\$ 2,050,882
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (28,401)	\$ 125,326	\$ (957,372)	\$ 73,240	\$ (787,207)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation and amortization	2,205	632,139	-	69,920	704,264
(Increase) decrease in					
Accounts receivable	3,033	19,881	(120,247)	-	(97,333)
Inventories	-	(3,985)	-	-	(3,985)
Prepaid items	(44)	(3,716)	-	(332)	(4,092)
Increase (decrease) in					
Accounts payable	6,920	(40,100)	(94,247)	(5,372)	(132,799)
Accrued payroll	460	1,515	(296)	1,588	3,267
Due to other funds	-	-	-	(1,018)	(1,018)
Compensated absences payable	(292)	1,834	(1,412)	(1,721)	(1,591)
Net cash provided by (used for) operating activities	\$ (16,119)	\$ 732,894	\$ (1,173,574)	\$ 136,305	\$ (320,494)

## **DESCRIPTION OF FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments or other funds.

A list and description of the fiduciary funds maintained by the City follows:

**PENSION TRUST FUNDS** are used to account for public employee retirement systems.

General Employees Retirement System - to account for the funding of retirement for the general employees of the city by all funds and departments, for establishing and maintaining required reserves and the payment of retirement benefits to participants.

Policemen and Firemen Retirement System - to account for the funding of public safety employees' retirement by the general fund, for establishing and maintaining required reserves and the payment of retirement benefits to participants.

Retiree Healthcare – to account for the funding of retirement healthcare benefits for employees and retirees of the city in accordance with the provisions of P.A. 149 of 1999.

**AGENCY FUNDS** are used to account for assets held as an agent for another organization or individual.

Collector - to account for the collections and disbursement of funds to other entities and individuals and to account for payroll withholdings and their remittance to the appropriate governmental agencies.

Current Tax - to account for levy, collection, and payment of taxes levied for the general and other funds of the city, county and public school districts.

Rehab Loan Escrow - to account for deposits made by housing rehabilitation program participants and their expenditures for the intended purposes.

City of Muskegon  
Pension Trust Funds

**COMBINING STATEMENT OF PLAN NET ASSETS**

December 31, 2003

	<u>General Employees Retirement System</u>			<u>Policemen and Firemen Retirement System</u>			<u>Retiree Healthcare</u>	<u>Combined Total</u>
	<u>Pension</u>	<u>Healthcare</u>	<u>Total</u>	<u>Pension</u>	<u>Healthcare</u>	<u>Total</u>		
<u>ASSETS</u>								
Cash and cash equivalents	\$ 444,940	\$ -	\$ 444,940	\$ 568,176	\$ -	\$ 568,176	\$ 91,951	\$ 1,105,067
Investments	30,087,368	3,592,065	33,679,433	42,410,138	2,134,312	44,544,450	3,470,727	81,694,610
TOTAL ASSETS	<u>\$ 30,532,308</u>	<u>\$ 3,592,065</u>	<u>\$ 34,124,373</u>	<u>\$ 42,978,314</u>	<u>\$ 2,134,312</u>	<u>\$ 45,112,626</u>	<u>\$ 3,562,678</u>	<u>\$ 82,799,677</u>
<u>NET ASSETS</u>								
Net assets								
Held in trust for benefits	<u>\$ 30,532,308</u>	<u>\$ 3,592,065</u>	<u>\$ 34,124,373</u>	<u>\$ 42,978,314</u>	<u>\$ 2,134,312</u>	<u>\$ 45,112,626</u>	<u>\$ 3,562,678</u>	<u>\$ 82,799,677</u>

City of Muskegon  
Pension Trust Funds

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**

Year Ended December 31, 2003

	General Employees Retirement System			Policemen and Firemen Retirement System			Retiree Healthcare	Combined Total
	Pension	Healthcare	Total	Pension	Healthcare	Total		
Additions								
Contributions								
Member	\$ 334,624	\$ -	\$ 334,624	\$ 415,708	\$ -	\$ 415,708	\$ -	\$ 750,332
City	121,413	-	121,413	435,686	-	435,686	887,102	1,444,201
Total contributions	456,037	-	456,037	851,394	-	851,394	887,102	2,194,533
Net investment income								
Interest and dividends	24,171	-	24,171	26,648	-	26,648	24,606	75,425
Net increase in fair value of investments	5,042,626	363,833	5,406,459	7,179,989	220,631	7,400,620	531,471	13,338,550
Total additions	5,522,834	363,833	5,886,667	8,058,031	220,631	8,278,662	1,443,179	15,608,508
Deductions								
Benefit payments	1,430,097	-	1,430,097	2,989,038	-	2,989,038	-	4,419,135
Refunds of contributions	109,143	-	109,143	215,025	-	215,025	-	324,168
Administrative expenses	112,506	-	112,506	150,049	-	150,049	1,690	264,245
Transfers out	-	289,603	289,603	-	890,335	890,335	-	1,179,938
Total deductions	1,651,746	289,603	1,941,349	3,354,112	890,335	4,244,447	1,690	6,187,486
Intrafund transfers in (out)	(228,699)	228,699	-	(150,246)	150,246	-	-	-
Change in net assets	3,642,389	302,929	3,945,318	4,553,673	(519,458)	4,034,215	1,441,489	9,421,022
Net assets at beginning of year	26,889,919	3,289,136	30,179,055	38,424,641	2,653,770	41,078,411	2,121,189	73,378,655
Net assets at end of year	\$ 30,532,308	\$ 3,592,065	\$ 34,124,373	\$ 42,978,314	\$ 2,134,312	\$ 45,112,626	\$ 3,562,678	\$ 82,799,677

**City of Muskegon  
Agency Funds**

**COMBINING BALANCE SHEET**

**December 31, 2003**

	<b>Collector</b>	<b>Current Tax</b>	<b>Rehab Loan Escrow</b>	<b>Combined Totals</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 626,786	\$ 3,424,359	\$ -	\$ 4,051,145
Receivables				
Accounts	-	-	4,221	4,221
Property taxes	-	19,401,411	-	19,401,411
<b>TOTAL ASSETS</b>	<b>\$ 626,786</b>	<b>\$ 22,825,770</b>	<b>\$ 4,221</b>	<b>\$ 23,456,777</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 2,170	\$ -	\$ -	\$ 2,170
Due to other funds	-	1,036,348	4,221	1,040,569
Due to other governmental units	55,432	21,782,052	-	21,837,484
Other liabilities	569,184	7,370	-	576,554
<b>TOTAL LIABILITIES</b>	<b>\$ 626,786</b>	<b>\$ 22,825,770</b>	<b>\$ 4,221</b>	<b>\$ 23,456,777</b>

**City of Muskegon  
Agency Funds**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**Year Ended December 31, 2003**

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
<b><u>COLLECTOR FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,048,273	\$ 12,954,998	\$ 13,376,485	\$ 626,786
<b>TOTAL ASSETS</b>	<b>\$ 1,048,273</b>	<b>\$ 12,954,998</b>	<b>\$ 13,376,485</b>	<b>\$ 626,786</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 9	\$ 5,520,778	\$ 5,518,617	\$ 2,170
Due to other governmental units	55,432	-	-	55,432
Other liabilities	992,832	5,543,020	5,966,668	569,184
<b>TOTAL LIABILITIES</b>	<b>\$ 1,048,273</b>	<b>\$ 11,063,798</b>	<b>\$ 11,485,285</b>	<b>\$ 626,786</b>
<b><u>CURRENT TAX FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,709,542	\$ 29,121,523	\$ 33,406,706	\$ 3,424,359
Property taxes receivable	18,502,390	22,624,050	21,725,029	19,401,411
<b>TOTAL ASSETS</b>	<b>\$ 26,211,932</b>	<b>\$ 51,745,573</b>	<b>\$ 55,131,735</b>	<b>\$ 22,825,770</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 1,859,898	\$ 5,700,844	\$ 6,524,394	\$ 1,036,348
Due to component units	-	1,609,377	1,609,377	-
Due to other governmental units	24,334,912	22,624,050	25,176,910	21,782,052
Other liabilities	17,122	86,273	96,025	7,370
<b>TOTAL LIABILITIES</b>	<b>\$ 26,211,932</b>	<b>\$ 30,020,544</b>	<b>\$ 33,406,706</b>	<b>\$ 22,825,770</b>
<b><u>REHAB LOAN ESCROW</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 10,810	\$ 10,810	\$ -
Accounts receivable	2,455	18,019	16,253	4,221
<b>TOTAL ASSETS</b>	<b>\$ 2,455</b>	<b>\$ 28,829</b>	<b>\$ 27,063</b>	<b>\$ 4,221</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 16,253	\$ 16,253	\$ -
Due to other funds	2,455	12,576	10,810	4,221
<b>TOTAL LIABILITIES</b>	<b>\$ 2,455</b>	<b>\$ 28,829</b>	<b>\$ 27,063</b>	<b>\$ 4,221</b>
<b><u>ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,757,815	\$ 42,087,331	\$ 46,794,001	\$ 4,051,145
Receivables				
Accounts	2,455	18,019	16,253	4,221
Property taxes	18,502,390	22,624,050	21,725,029	19,401,411
<b>TOTAL ASSETS</b>	<b>\$ 27,262,660</b>	<b>\$ 64,729,400</b>	<b>\$ 68,535,283</b>	<b>\$ 23,456,777</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 9	\$ 5,537,031	\$ 5,534,870	\$ 2,170
Due to other funds	1,862,353	5,713,420	6,535,204	1,040,569
Due to component units	-	1,609,377	1,609,377	-
Due to other governmental units	24,390,344	22,624,050	25,176,910	21,837,484
Other liabilities	1,009,954	5,629,293	6,062,693	576,554
<b>TOTAL LIABILITIES</b>	<b>\$ 27,262,660</b>	<b>\$ 41,113,171</b>	<b>\$ 44,919,054</b>	<b>\$ 23,456,777</b>

## SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2003

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2002	2003	
<b>Enterprise fund debt:</b>							
Water supply system bonds	10/1/1993	\$ 5,465,000	0.00%	05/01/03	\$ -	\$ -	\$ -
(\$16,537 unamortized discount)			0.00%	05/01/04	-	-	40,500
			0.00%	05/01/05	-	-	40,500
			0.00%	05/01/06	-	-	40,500
			0.00%	05/01/07	-	-	40,500
			0.00%	05/01/08	-	-	40,500
			0.00%	05/01/09	-	-	40,500
			0.00%	05/01/10	-	-	40,500
			0.00%	05/01/11	-	-	40,500
			4.50%	05/01/12	450,000	450,000	30,375
			4.50%	05/01/13	450,000	450,000	10,121
					900,000	900,000	364,496
Water supply system bonds	3/2/1999	\$ 9,575,000	3.75%	05/01/03	405,000	-	-
(\$77,117 unamortized discount)			3.85%	05/01/04	420,000	420,000	361,380
			3.95%	05/01/05	435,000	435,000	344,704
			4.05%	05/01/06	455,000	455,000	326,899
			4.05%	05/01/07	470,000	470,000	308,168
			4.05%	05/01/08	490,000	490,000	288,728
			4.10%	05/01/09	510,000	510,000	268,350
			4.20%	05/01/10	535,000	535,000	246,660
			4.30%	05/01/11	555,000	555,000	223,493
			4.35%	05/01/12	130,000	130,000	208,733
			4.40%	05/01/13	155,000	155,000	202,495
			4.50%	05/01/14	635,000	635,000	184,798
			4.55%	05/01/15	665,000	665,000	155,381
			4.60%	05/01/16	695,000	695,000	124,268
			4.65%	05/01/17	730,000	730,000	91,310
			4.75%	05/01/18	765,000	765,000	56,169
			4.75%	05/01/19	800,000	800,000	19,000
					8,850,000	8,445,000	3,410,536
Contractual obligation for	11/6/2002	\$ 6,990,000	1.80%	07/01/03	146,078	-	-
County wastewater debt retirement - refunding bonds *			2.00%	07/01/04	122,705	122,705	190,018
			2.25%	07/01/05	116,862	116,862	187,564
			5.00%	07/01/06	1,244,580	1,244,580	184,934
			5.00%	07/01/07	1,232,894	1,232,894	122,705
			5.00%	07/01/08	1,221,208	1,221,208	61,060
					4,084,327	3,938,249	746,281
Contractual obligation for	5/1/1996	\$ 8,034,263	5.00%	07/01/03	1,005,013	-	-
County wastewater debt retirement *			5.10%	07/01/04	984,562	984,562	80,061
			5.70%	07/01/05	964,112	964,112	27,475
					2,953,687	1,948,674	107,536
<b>TOTAL ENTERPRISE FUND DEBT</b>					<b>\$ 16,788,014</b>	<b>\$ 15,231,923</b>	<b>\$ 4,628,849</b>
<b>General long-term debt:</b>							
Building authority limited tax bonds	1/1/1996	\$ 1,545,000	4.20%	12/01/03	\$ 195,000	\$ -	\$ -
of 1996 (city hall renovations)			4.30%	12/01/04	205,000	205,000	8,816
					400,000	205,000	8,816
Special assessment improvement bonds	1/1/1996	\$ 1,155,000	4.20%	12/01/03	120,000	-	-
of 1996 (sidewalks)			4.30%	12/01/04	65,000	65,000	3,896
			4.40%	12/01/05	25,000	25,000	1,100
					210,000	90,000	4,996
Special assessment improvement bonds	10/1/1998	\$ 1,495,000	3.85%	04/01/03	170,000	-	-
of 1998 (sidewalks)			3.90%	04/01/04	165,000	165,000	27,735
			3.95%	04/01/05	165,000	165,000	21,259
			4.00%	04/01/06	165,000	165,000	14,700
			4.00%	04/01/07	130,000	130,000	8,800
			4.00%	04/01/08	95,000	95,000	4,300
			4.00%	04/01/09	60,000	60,000	1,200
					950,000	780,000	77,999

\* Note: 58.88% of this debt is guaranteed and paid by an industrial user.

## SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2003

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2002	2003	
General long-term debt--continued:							
Special assessment improvement bonds of 2000 (sidewalks)	12/1/2000	\$ 825,000	4.50%	04/01/03	\$ 85,000	\$ -	\$ -
			4.55%	04/01/04	90,000	90,000	25,885
			4.60%	04/01/05	85,000	85,000	21,883
			4.65%	04/01/06	85,000	85,000	17,951
			4.70%	04/01/07	90,000	90,000	13,860
			4.80%	04/01/08	85,000	85,000	9,705
			4.90%	04/01/09	85,000	85,000	5,583
			5.00%	04/01/10	70,000	70,000	1,746
					675,000	590,000	96,613
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	0.00%	06/01/03	-	-	-
			2.00%	06/01/04	-	105,000	49,724
			2.00%	06/01/05	-	105,000	47,624
			2.00%	06/01/06	-	105,000	45,524
			2.38%	06/01/07	-	110,000	43,168
			2.88%	06/01/08	-	110,000	40,280
			3.13%	06/01/09	-	115,000	36,902
			3.50%	06/01/10	-	120,000	33,005
			3.50%	06/01/11	-	120,000	28,805
			3.70%	06/01/12	-	125,000	24,393
			3.80%	06/01/13	-	130,000	19,610
			3.90%	06/01/14	-	135,000	14,508
			4.00%	06/01/15	-	145,000	8,975
			4.05%	06/01/16	-	150,000	3,038
					-	1,575,000	395,553
State of Michigan urban land assembly loan	12/15/1999	\$ 1,276,900	0.00%	10/31/03	150,000	-	-
			0.00%	10/31/04	150,000	150,000	-
			0.00%	10/31/05	150,000	150,000	-
			0.00%	10/31/06	150,000	150,000	-
			0.00%	10/31/07	200,000	200,000	-
			0.00%	10/31/08	200,000	200,000	-
			0.00%	10/31/09	276,900	276,900	-
					1,276,900	1,126,900	-
Michigan transportation fund refunding bonds (\$7,119 unamortized premium)	10/1/2002	\$ 2,245,000	2.00%	06/01/03	350,000	-	-
			2.00%	06/01/04	350,000	350,000	45,138
			2.25%	06/01/05	370,000	370,000	37,475
			2.50%	06/01/06	385,000	385,000	28,500
			2.88%	06/01/07	400,000	400,000	17,937
			3.13%	06/01/08	390,000	390,000	6,093
					2,245,000	1,895,000	135,143
Michigan transportation fund bonds	11/1/1997	\$ 1,950,000	4.05%	12/01/03	200,000	-	-
			4.10%	12/01/04	205,000	205,000	37,188
			4.15%	12/01/05	215,000	215,000	28,781
			4.20%	12/01/06	230,000	230,000	19,860
			4.25%	12/01/07	240,000	240,000	10,200
					1,090,000	890,000	96,029
TOTAL GENERAL LONG-TERM DEBT					\$ 6,846,900	\$ 7,151,900	\$ 815,144
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT					\$ 23,634,914	\$ 22,383,823	\$ 5,443,993

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2003

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2002	2003	
Discretely presented component unit debt:							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Downtown Development Authority refunding bonds	9/1/2001	\$ 4,005,000	4.00%	06/01/03	170,000	-	-
			4.00%	06/01/04	180,000	180,000	160,492
			4.00%	06/01/05	185,000	185,000	153,192
			4.00%	06/01/06	200,000	200,000	145,492
			4.00%	06/01/07	200,000	200,000	137,492
			4.00%	06/01/08	210,000	210,000	129,292
			4.20%	06/01/09	220,000	220,000	120,472
			4.25%	06/01/10	230,000	230,000	110,964
			4.35%	06/01/11	240,000	240,000	100,857
			4.45%	06/01/12	245,000	245,000	90,187
			4.55%	06/01/13	260,000	260,000	78,821
			4.65%	06/01/14	270,000	270,000	66,628
			4.75%	06/01/15	280,000	280,000	53,700
			4.85%	06/01/16	300,000	300,000	39,775
			5.00%	06/01/17	315,000	315,000	24,625
			5.00%	06/01/18	335,000	335,000	8,375
					3,840,000	3,670,000	1,420,364
Local Development Finance Authority Smartzone Bonds (\$8,597 unamortized discount)	11/1/2002	\$ 4,725,000	0.00%	11/01/03	-	-	-
			0.00%	11/01/04	-	-	205,147
			0.00%	11/01/05	-	-	205,147
			0.00%	11/01/06	-	-	205,147
			3.25%	11/01/07	80,000	80,000	205,147
			3.50%	11/01/08	80,000	80,000	202,547
			3.63%	11/01/09	80,000	80,000	199,747
			3.88%	11/01/10	80,000	80,000	196,847
			3.88%	11/01/11	80,000	80,000	193,747
			4.00%	11/01/12	180,000	180,000	190,647
			3.90%	11/01/13	240,000	240,000	183,447
			4.05%	11/01/14	305,000	305,000	174,087
			4.05%	11/01/15	325,000	325,000	161,736
			4.15%	11/01/16	340,000	340,000	148,572
			4.25%	11/01/17	355,000	355,000	134,462
			4.35%	11/01/18	375,000	375,000	119,376
			4.45%	11/01/19	395,000	395,000	103,062
			4.60%	11/01/20	400,000	400,000	85,486
			4.60%	11/01/21	255,000	255,000	67,086
			4.60%	11/01/22	265,000	265,000	55,356
			4.85%	11/01/23	280,000	280,000	43,166
			4.85%	11/01/24	295,000	295,000	29,586
			4.85%	11/01/25	315,000	315,000	15,278
					4,725,000	4,725,000	3,124,823
Local Development Finance Authority	11/22/1994	\$ 1,475,000	6.00%	06/01/03	100,000	-	-
			6.00%	06/01/04	100,000	-	-
			6.00%	06/01/05	125,000	-	-
			6.00%	06/01/06	125,000	-	-
			6.00%	06/01/07	125,000	-	-
			5.50%	06/01/08	125,000	-	-
			5.50%	06/01/09	125,000	-	-
					825,000	-	-
TOTAL DISCRETELY PRESENTED COMPONENT UNIT DEBT					\$ 10,390,000	\$ 9,395,000	\$ 4,545,187
TOTAL REPORTING ENTITY LONG-TERM DEBT					\$ 34,024,914	\$ 31,778,823	\$ 9,989,180

City of Muskegon

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES BY SOURCE

Last Ten Fiscal Years

Year	Local Taxes (a)	% of Total	Licenses & Permits	% of Total	Intergo- vernmental	% of Total	Charges for Service	% of Total	Interest and Rent	% of Total	Fines and Fees	% of Total	Operating Transfers In	% of Total	Other	% of Total	Total (b)	% Change
1994	\$ 8,789,421	57.4%	\$ 747,411	4.9%	\$ 3,676,568	24.0%	\$ 154,153	1.0%	\$ 414,737	2.7%	\$ 183,716	1.2%	\$ 390,796	2.6%	\$ 945,171	6.2%	\$ 15,301,973	-
1995	9,455,492	56.8%	872,478	5.2%	4,068,757	24.5%	240,506	1.4%	388,592	2.3%	213,384	1.3%	169,298	1.0%	1,224,672	7.4%	16,633,179	8.7%
1996	9,218,272	52.2%	829,441	4.7%	5,171,357	29.3%	1,004,833	5.7%	453,612	2.6%	266,374	1.5%	205,229	1.2%	517,096	2.9%	17,666,214	6.2%
1997	11,323,885	55.6%	845,519	4.2%	5,650,079	27.7%	1,432,452	7.0%	512,475	2.5%	246,943	1.2%	149,789	0.7%	200,946	1.0%	20,362,088	15.3%
1998	11,855,295	54.8%	850,890	3.9%	5,507,100	25.4%	1,620,924	7.5%	602,811	2.8%	434,478	2.0%	360,349	1.7%	412,008	1.9%	21,643,855	6.3%
1999	11,961,023	55.8%	1,015,777	4.7%	5,286,569	24.6%	1,911,915	8.9%	465,749	2.2%	277,369	1.3%	177,408	0.8%	355,871	1.7%	21,451,681	-0.9%
2000	12,831,435	54.2%	1,129,001	4.8%	6,008,823	25.4%	2,093,312	8.8%	599,409	2.5%	338,677	1.4%	207,636	0.9%	477,223	2.0%	23,685,516	10.4%
2001	12,878,483	54.9%	1,014,598	4.3%	6,184,017	26.4%	1,971,996	8.4%	490,863	2.1%	350,557	1.5%	178,457	0.8%	377,640	1.6%	23,446,611	-1.0%
2002	13,465,040	57.0%	1,071,236	4.5%	5,643,611	23.9%	2,091,356	8.9%	332,560	1.4%	393,314	1.7%	180,985	0.8%	439,062	1.9%	23,617,164	0.7%
2003	13,246,744	56.8%	1,108,780	4.8%	5,173,722	22.2%	2,240,866	9.6%	189,485	0.8%	471,682	2.0%	566,282	2.4%	331,195	1.4%	23,328,756	-1.2%

(a) Includes Industrial and Commercial Facilities Tax revenue.

(b) When comparing "Total Revenues" with "Total Expenditures" as presented in the exhibit entitled "General Fund Expenditures and Other Uses by Function" the difference reflects the use of fund balance (when expenditures are greater than revenues) or addition to fund balance (when revenues are greater than expenditures).

SOURCE: City of Muskegon Finance Department

City of Muskegon

GENERAL FUND EXPENDITURES AND OTHER USES BY FUNCTION

Last Ten Fiscal Years

Year	Legislative	% of Total	General Government	% of Total	Public Safety	% of Total	Public Works	% of Total	Leisure Services	% of Total	Planning & Development	% of Total	Other (a)	% of Total	Total (b)	% Change
1994	\$ 67,577	0.4%	\$ 1,864,926	12.0%	\$ 7,625,535	49.0%	\$ 730,361	4.7%	\$ 1,351,162	8.7%	\$ 1,031,162	6.6%	\$ 2,901,966	18.6%	\$ 15,572,689	-
1995	72,641	0.4%	1,955,314	12.0%	8,009,675	49.0%	737,771	4.5%	1,399,727	8.6%	992,780	6.1%	3,169,678	19.4%	16,337,586	4.9%
1996	80,482	0.4%	2,343,820	13.0%	8,347,026	46.3%	720,714	4.0%	1,744,754	9.7%	1,289,161	7.2%	3,492,202	19.4%	18,018,159	10.3%
1997	109,432	0.5%	2,854,773	14.0%	8,709,644	42.8%	2,587,188	12.7%	2,098,575	10.3%	1,549,156	7.6%	2,449,552	12.0%	20,358,320	13.0%
1998	100,166	0.5%	2,858,746	13.2%	9,463,878	43.7%	2,517,806	11.6%	2,352,626	10.9%	1,668,148	7.7%	2,673,097	12.4%	21,634,467	6.3%
1999	97,495	0.4%	2,906,536	13.2%	10,314,125	46.9%	2,738,257	12.4%	2,329,065	10.6%	1,338,643	6.1%	2,287,760	10.4%	22,011,881	1.7%
2000	108,223	0.5%	3,044,816	13.7%	11,096,769	49.9%	2,668,788	12.0%	2,345,712	10.6%	931,336	4.2%	2,037,013	9.2%	22,232,657	1.0%
2001	113,296	0.5%	3,187,741	13.7%	11,130,536	47.9%	2,678,089	11.5%	2,637,586	11.4%	948,756	4.1%	2,539,974	10.9%	23,235,978	4.5%
2002	131,889	0.6%	3,467,461	14.5%	11,497,673	48.0%	2,680,695	11.2%	2,610,935	10.9%	971,335	4.1%	2,611,548	10.9%	23,971,536	3.2%
2003	103,449	0.4%	3,418,263	14.4%	11,437,516	48.2%	2,731,241	11.5%	2,624,275	11.1%	987,097	4.2%	2,403,493	10.1%	23,705,334	-1.1%

(a) Includes "Transfers to Other Funds", insurance costs, debt service, major capital improvements, and miscellaneous expenditures.

(b) When comparing "Total Expenditures" with "Total Revenues" as presented in the exhibit entitled "General Fund Revenues and Other Financing Sources by Source" the difference reflects the use of fund balance (when expenditures are greater than revenues) or addition to fund balance (when revenues are greater than expenditures).

SOURCE: City of Muskegon Finance Department

**City of Muskegon**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (a)**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total Property</b>		<b>Assessed to Estimated Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	
<b>1994</b>	\$ 388,511,300	\$ 777,022,600	\$ 132,777,100	\$ 265,554,200	\$ 521,288,400	\$ 1,042,576,800	50.0%
<b>1995</b>	398,226,800	796,453,600	135,142,506	270,285,012	533,369,306	1,066,738,612	50.0%
<b>1996</b>	420,246,500	840,493,000	154,302,600	308,605,200	574,549,100	1,149,098,200	50.0%
<b>1997</b>	438,157,200	876,314,400	165,327,700	330,655,400	603,484,900	1,206,969,800	50.0%
<b>1998</b>	461,049,700	922,099,400	153,932,700	307,865,400	614,982,400	1,229,964,800	50.0%
<b>1999</b>	496,781,800	993,563,600	179,928,300	359,856,600	676,710,100	1,353,420,200	50.0%
<b>2000</b>	543,897,900	1,087,795,800	180,164,900	360,329,800	724,062,800	1,448,125,600	50.0%
<b>2001</b>	601,420,300	1,202,840,600	211,503,600	423,007,200	812,923,900	1,625,847,800	50.0%
<b>2002</b>	638,624,250	1,277,248,500	187,393,600	374,787,200	826,017,850	1,652,035,700	50.0%
<b>2003</b>	661,692,712	1,323,385,424	177,348,400	354,696,800	839,041,112	1,678,082,224	50.0%

(a) Includes property assessed under the Industrial Facilities Tax (IFT), Commercial Facilities Tax (CFT), Neighborhood Enterprise Zone (NEZ), Commercial Enterprise Zone (CEZ) and Renaissance Zone (REZ) exemption programs.

SOURCE: City of Muskegon Assessor's Office/Muskegon County Equalization Department

City of Muskegon

TEN LARGEST PROPERTY ASSESSMENTS

AGGREGATE TAXABLE VALUES BY OWNER

December 2003

Name of Taxpayer	Taxable Value Real Property	Taxable Value Personal Property	Taxable Value Act 198 & Special Acts	Total Taxable Value	Percent
Consumers Energy Company	\$ 46,252,051	\$ 10,340,100	\$ 11,150,300	\$ 67,742,451	9.39%
Sappi (S.D. Warren Co.)	8,664,775	21,915,100	25,877,000	56,456,875	7.83%
ADAC Plastics	-	3,980,400	4,767,638	8,748,038	1.21%
Johnson Technology	835,324	5,753,200	1,729,900	8,318,424	1.15%
Terrace Partners LLC	7,776,200	-	-	7,776,200	1.08%
Brunswick	2,852,699	4,505,400	-	7,358,099	1.02%
DTE Energy (formerly Michcon)	1,368,300	6,136,000	-	7,504,300	1.04%
Holland Neway International	2,192,450	1,026,100	3,103,550	6,322,100	0.88%
Lorin Industries	641,899	5,817,700	557,400	7,016,999	0.97%
ESCO Company	923,699	4,270,000	700,400	5,894,099	0.82%
<b>Total--10 Largest</b>				183,137,585	25.39%
<b>Total--All Other</b>				538,300,070	74.61%
				<u>\$ 721,437,655</u>	<u>100.00%</u>

SOURCE: Muskegon County Equalization Department

**City of Muskegon**

**TEN LARGEST TAXPAYERS**

**Last Five Fiscal Years**

<b>Name of Taxpayer</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003 (a)</b>
<b>Consumers Energy Company</b>	\$ 3,380,685	\$ 3,615,015	\$ 4,010,151	\$ 3,617,363	\$ 3,221,146
<b>Sappi (S.D. Warren Company)</b>	2,574,493	2,432,128	2,701,211	2,670,623	2,204,318
<b>DTE Energy (Michcon)</b>	438,662	472,834	535,702	415,712	379,603
<b>UNC Johnson Technology</b>	311,468	356,680	314,506	346,895	375,696
<b>Brunswick Corporation</b>	439,397	468,885	415,892	429,291	372,587
<b>Lorin Industries</b>	314,502	286,459	306,336	345,929	336,627
<b>ADAC Plastics, Inc.</b>	-	-	-	302,927	322,449
<b>Esco Acquisition Ltd</b>	202,493	-	-	-	281,294
<b>Terrace Partners LLC</b>	-	329,753	345,368	300,515	272,893
<b>Ango American Clays Corporation</b>	-	-	833,036	-	-
<b>Muskegon Properties Company</b>	342,018	348,147	334,728	-	-
<b>Bekaert Steel</b>	191,649	-	-	-	-
<b>Holland Neway International</b>	-	289,930	297,741	281,153	-
<b>Cole's Quality Foods</b>	287,382	270,315	-	259,390	-
	<u>\$ 8,482,749</u>	<u>\$ 8,870,146</u>	<u>\$ 10,094,671</u>	<u>\$ 8,969,798</u>	<u>\$ 7,766,613</u>

(a) Starting in 2003, the 6.0-mill State Education Tax (SET) is collected in the summer by Muskegon County. Figures shown here are for winter taxes only as collected by the City of Muskegon.

SOURCE: City of Muskegon Treasurer's Office

**City of Muskegon**

**TAX RATES PER \$1,000 STATE EQUALIZED VALUATION FOR CITY AND OVERLAPPING UNITS**

**Last Ten Fiscal Years**

<b>Year</b>	<b>City General</b>	<b>City Special</b>	<b>Debt Service</b>	<b>Total City</b>	<b>State Education Tax</b>	<b>School District</b>	<b>Library District (a)</b>	<b>County Schools (b)</b>	<b>County General (c)</b>	<b>Grand Total</b>
<b>1994</b>	\$ 7.0000	\$ 3.1072	\$ -	\$ 10.1072	\$ 6.0000	\$ 20.2000	\$ -	\$ 5.0885	\$ 6.2248	\$ 47.6205
<b>1995</b>	7.0000	3.1008	-	10.1008	6.0000	26.0000	-	5.0885	6.2248	53.4141
<b>1996</b>	7.0000	3.0988	-	10.0988	6.0000	26.0000	-	5.0885	6.7136	53.9009
<b>1997</b>	7.0000	3.0937	-	10.0937	6.0000	26.0000	-	5.0885	6.7136	53.8958
<b>1998</b>	7.0000	3.0950	-	10.0950	6.0000	26.0000	-	5.0885	6.7136	53.8971
<b>1999</b>	7.0000	3.0880	-	10.0880	6.0000	25.9947	-	5.0707	6.6550	53.8084
<b>2000</b>	7.0000	3.0859	-	10.0859	6.0000	25.9947	-	5.0466	6.6256	53.7528
<b>2001</b>	7.0000	3.0792	-	10.0792	6.0000	25.0000	2.4000	5.0075	6.5799	55.0666
<b>2002</b>	7.0000	3.0786	-	10.0786	6.0000	25.0000	2.4000	5.9633	6.6957	56.1376
<b>2003</b>	7.5000	2.5774	-	10.0774	5.0000	25.0000	2.4000	5.9617	6.7957	55.2348

(a) Prior to 2001, the millage for libraries was included under the school district millages.

(b) Includes tax millages for the Muskegon Area Intermediate School District and for Muskegon Community College.

(c) Includes the general County tax millage and the special millages for the Muskegon County Museum and veteran's programs.

SOURCE: City of Muskegon Treasurer's Office

**City of Muskegon**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent Of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Charge backs On Uncollected Delinquent Taxes</b>	<b>Outstanding Delinquent Personal</b>	<b>Outstanding Delinquent Specific</b>	<b>Percent of Delinquent Taxes to Levy</b>
<b>1994</b>	\$ 5,886,898	\$ 5,293,794	89.9%	\$ 506,721	\$ 5,800,515	\$ -	\$ 31,914	\$ 317	0.55%
<b>1995</b>	5,757,393	5,174,898	89.9%	546,056	5,720,954	-	11,606	997	0.22%
<b>1996</b>	6,650,150	5,727,915	86.1%	867,946	6,595,861	-	27,325	3,427	0.46%
<b>1997</b>	6,814,119	5,983,967	87.8%	556,509	6,540,476	-	109,199	13,197	1.80%
<b>1998</b>	6,793,669	6,074,967	89.4%	371,432	6,446,399	-	65,466	4,526	1.03%
<b>1999</b>	6,925,862	6,185,473	89.3%	632,875	6,818,348	46,219	89,309	10,148	2.10%
<b>2000</b>	7,378,653	6,631,358	89.9%	382,839	7,014,197	47,117	60,847	7,845	1.57%
<b>2001</b>	7,449,191	6,625,670	88.9%	88,768	6,714,438	24,866	184,894	5,496	2.89%
<b>2002</b>	7,922,898	7,036,846	88.8%	123,906	7,160,752	30,056	168,666	15,700	2.71%
<b>2003</b>	8,095,194	7,201,599	89.0%	710,353	7,911,952	27,338	154,843	20,856	2.51%

SOURCE: City of Muskegon Treasurer' Office

**City of Muskegon**

**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS**

**As of December 31, 2003**

<b>Year Levied</b>	<b>Amount of Original Assessment</b>	<b>Amount Collected to Date</b>	<b>Outstanding Balance</b>	<b>Percent Uncollected</b>
<b>Prior</b>	\$ 2,904,700	\$ 2,904,700	\$ -	0.00%
<b>1994</b>	662,347	655,234	7,113	1.07%
<b>1995</b>	930,259	878,540	51,719	5.56%
<b>1996</b>	754,169	695,627	58,542	7.76%
<b>1997</b>	643,472	516,504	126,968	19.73%
<b>1998</b>	558,019	454,474	103,545	18.56%
<b>1999</b>	661,020	471,570	189,450	28.66%
<b>2000</b>	1,152,324	787,214	365,110	31.68%
<b>2001</b>	921,585	476,910	444,675	48.25%
<b>2002</b>	778,405	249,584	528,821	67.94%
<b>2003</b>	2,404,529	367,241	2,037,288	84.73%
<b>Spread to taxes</b>	-	-	554,529	n/a
<b>Total</b>	<u><u>\$ 12,370,829</u></u>	<u><u>\$ 8,457,598</u></u>	<u><u>\$ 4,467,760</u></u>	<u><u>36.12%</u></u>

SOURCE: City of Muskegon Treasurer's Office

City of Muskegon

STATEMENT OF BONDED INDEBTEDNESS

December 31, 2003

Bond Issue	Year Issued	Average Interest Rate (%)	Amount of Issue	Outstanding Balance	Principal Due 2004	Interest Due 2004	Final Maturity
Muskegon Building Authority (City Hall Renovation)	1996	4.186	\$ 1,545,000	\$ 205,000	\$ 205,000	\$ 8,816	2004
Special Assessment Improvement (Sidewalks)	1996	4.273	1,155,000	90,000	65,000	3,896	2005
Muskegon County Wastewater Contract	1996	5.189	8,034,263	1,948,674 (a)	984,562	80,061	2005
City of Muskegon MTF Bonds	1997	4.290	1,950,000	890,000	205,000	37,188	2007
City of Muskegon MTF Bonds - Refunding	2002	2.844	2,245,000	1,895,000	350,000	45,138	2008
Muskegon County Wastewater Contract - Refunding	2002	3.281	6,990,000	3,938,249 (a)	122,705	190,018	2008
Special Assessment Improvement (Sidewalks)	1998	4.034	1,495,000	780,000	165,000	27,735	2009
State of Michigan Urban Land Assembly Loan	1999	0.000	1,276,900	1,126,900	150,000	-	2009
Special Assessment Improvement (Sidewalks)	2000	5.114	825,000	590,000	90,000	25,885	2010
Water Supply System Revenue Bonds	1993	5.430	5,465,000	900,000	-	40,500	2013
Capital Improvement Bonds	2003	3.620	1,575,000	1,575,000	105,000	49,724	2016
DDA Refunding Bonds	2001	4.680	4,005,000	3,670,000	180,000	160,492	2018
DDA Promissory Note with Muskegon County	1989	0.000	1,000,000	1,000,000	-	-	2019
Water Supply System Revenue Bonds	1999	4.570	9,575,000	8,445,000	420,000	361,380	2019
Local Development Finance Authority Bonds (Smartzone)	2002	4.552	4,725,000	4,725,000	-	205,147	2025
				<u>\$ 51,861,163</u>	<u>\$ 31,778,823</u>	<u>\$ 3,042,267</u>	<u>\$ 1,235,980</u>

(a) Estimated City's Share of Debt.

SOURCE: City of Muskegon Finance Department

**City of Muskegon**

**STATEMENT OF LEGAL DEBT MARGIN (a)**

**December 31, 2003**

**State Equalized Valuation (SEV):**                      \$    763,778,812   (b)

<b>Legal Debt Margin</b>				
	<b>Actual Net Debt</b>	<b>Maximum Percent of SEV</b>	<b>Debt Limit Amount</b>	<b>Legal Debt Margin</b>
<b>Outstanding Debt Subject to Limitation</b>	<u>\$    9,726,900</u>	<u>10.000%</u>	<u>\$    76,377,881</u>	<u>\$    66,650,981</u>
<b>Outstanding Debt Not Subject to Limitation:</b>				
<b>Special Assessment Debt</b>	3,035,000			
<b>Revenue Bonds</b>	10,345,000			
<b>Michigan Transportation Fund Bonds</b>	2,785,000			
<b>Debt Issued for Pollution Abatement</b>	5,886,923			
	<u>22,051,923</u>			
<b>TOTAL INDEBTEDNESS</b>	<u><u>\$    31,778,823</u></u>			

(a) Act 279, Public Acts of Michigan, 1909, as amended, and the City Charter of the City provide that the net indebtedness of the City shall not exceed 10% of all assessed real and personal property in the City. Bonds which are not included in the computation of legal debt margin, according to Act 279, are:

- Special Assessment Bonds;
- Mortgage Bonds;
- Michigan Transportation Fund Bonds;
- Revenue Bonds;
- Bonds issued, or contracts or assessment obligations, incurred, to comply with an order of the Water Resources Commission or a court of competent jurisdiction;
- Bonds issued to acquire housing for which rent subsidies will be received under a contract with the United States Government;
- Obligations entered into under an intergovernmental self insurance contract or issued to pay premiums or to establish funds to self insure for losses;
- Bonds issued or assessments or contract obligations incurred for the construction, improvement, or replacement of a combined sewer overflow abatement facility;
- Other obligations incurred for water supply, sewage, drainage or other refuse, disposal projects necessary to protect the public health by abating pollution; and,
- Resources of a sinking fund pledged for the retirement of any outstanding bonds

(b) State Equalized Valuation (SEV) does not include assessments under the Industrial Facilities Tax (IFT), Commercial Facilities Tax (CFT), Neighborhood Enterprise Zone (NEZ), Commercial Enterprise Zone (CEZ), or Renaissance Zone (REZ) exemption programs which for 2003 amounted to \$75,262,800. The City's total 2003 assessed valuation (including IFT/CFT/NEZ/CEZ/REZ) was \$839,041,112.

SOURCE: Muskegon County Equalization Department and Finance Department

**City of Muskegon**

**STATEMENT OF DIRECT AND OVERLAPPING DEBT**

**December 31, 2003**

**Direct Debt:**

Revenue Bonds	\$ 9,345,000
Special Assessment Bonds	3,035,000
Intergovernmental Bonds	7,013,823
Michigan Transportation Fund Bonds	2,785,000
General Obligation Bonds	205,000
Component Unit Debt	<u>9,395,000</u>
	31,778,823

**Less:**

Revenue Bonds and Revenue Supported Intergovernmental Bonds	\$ 10,345,000	
Michigan Transportation Fund Bonds	2,785,000	
Special Assessment Debt	<u>3,035,000</u>	16,165,000
<b>NET DIRECT DEBT</b>		<u>15,613,823</u>

**Overlapping Debt:**

	<b>Debt Outstanding at 12/31/2003</b>	<b>% of SEV Within City</b>	<b>City Share of Debt Outstanding</b>	
Muskegon School District	\$ 39,344,136	95.03%	\$ 37,388,732	
Orchard View School District	47,200,000	30.71%	14,495,120	
Reeths-Puffer School District	72,023,093	10.15%	7,310,344	
Muskegon Community College	9,985,000	17.91%	1,788,314	
County of Muskegon	<u>25,510,000</u>	17.91%	<u>4,568,841</u>	
	<u>\$ 194,062,229</u>		<u>\$ 65,551,351</u>	65,551,351

**NET DIRECT AND OVERLAPPING DEBT** \$ 81,165,174

	<b>Per Capita Debt (a)</b>	<b>Ratio of Debt to SEV (b)</b>
<b>Net Direct Debt</b>	\$ 389.32	2.04%
<b>Net Direct and Overlapping Debt</b>	\$ 2,023.82	10.63%

(a) Population equals 40,105.

(b) State equalized valuation (SEV) equals \$ 763,778,812

SOURCE: City of Muskegon Finance Department; Municipal Advisory Council of Michigan

**City of Muskegon**

**RATIO OF DEBT SERVICE FOR GENERAL BONDED DEBT  
TO TOTAL GENERAL FUND EXPENDITURES AND OTHER USES**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Contractual Debt</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures and Other Uses</b>	<b>Ratio of Debt Service to General Fund Expenditures and Other Uses</b>
<b>1994</b>	\$ 250,000	\$ 46,575	\$ 1,011,631	\$ 1,308,206	\$ 15,572,689	8.40%
<b>1995</b>	50,000	36,255	-	86,255	16,337,586	0.53%
<b>1996</b>	185,000	58,696	141,245	384,941	18,018,159	2.14%
<b>1997</b>	200,000	86,102	220,216	506,318	20,358,320	2.49%
<b>1998</b>	260,000	77,712	201,572	539,284	21,634,467	2.49%
<b>1999</b>	265,000	65,362	125,825	456,187	22,011,881	2.07%
<b>2000</b>	270,000	52,346	78,971	401,317	22,232,657	1.81%
<b>2001</b>	280,000	38,726	45,741	364,467	23,235,978	1.57%
<b>2002</b>	185,000	24,406	-	209,406	23,971,536	0.87%
<b>2003</b>	195,000	17,006	-	212,006	23,705,334	0.89%

SOURCE: City of Muskegon Finance Department

**City of Muskegon**  
**REVENUE BOND COVERAGE**  
**Sewage Disposal System**

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)		Direct Operating Expenses (b)		Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
						Principal	Interest	Total	
<b>1994</b>	\$	3,522,766	\$	2,866,978	\$ 655,788	\$ 225,659	\$ 422,928	\$ 648,587	1.01
<b>1995</b>		3,651,607		2,670,582	981,025	286,136	412,038	698,174	1.41
<b>1996</b>		2,940,704		2,468,476	472,228	285,725	385,367	671,092	0.70
<b>1997</b>		3,295,954		2,390,240	905,714	242,480	343,261	585,741	1.55
<b>1998</b>		3,790,903		2,355,408	1,435,495	515,185	261,692	776,877	1.85
<b>1999</b>		3,740,179		2,417,775	1,322,404	495,963	237,636	733,599	1.80
<b>2000</b>		4,089,381		2,236,111	1,853,270	421,516	216,776	638,292	2.90
<b>2001</b>		3,991,295		2,656,382	1,334,913	399,933	197,169	597,102	2.24
<b>2002</b>		4,039,448		2,726,975	1,312,473	458,918	137,622	596,540	2.20
<b>2003</b>		4,077,482		2,649,454	1,428,028	473,329	132,214	605,543	2.36

For years in which "revenue bond coverage" is less than 1.00, the shortfall was made up either by use of net assets or by transfer in.

(a) "Gross Revenue" equals total operating revenues plus interest income.

(b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

SOURCE: City of Muskegon Finance Department

**City of Muskegon**  
**REVENUE BOND COVERAGE**  
**Water Supply System**

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)		Direct Operating Expenses (b)		Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
						Principal	Interest	Total	
<b>1994</b>	\$	2,759,379	\$	2,138,363	\$ 621,016	\$ -	\$ 340,630	\$ 340,630	1.82
<b>1995</b>		3,275,905		2,009,728	1,266,177	65,000	312,309	377,309	3.36
<b>1996</b>		3,208,207		2,105,342	1,102,865	100,000	306,169	406,169	2.72
<b>1997</b>		3,478,112		2,115,442	1,362,670	150,000	296,989	446,989	3.05
<b>1998</b>		3,083,359		2,096,426	986,933	150,000	285,257	435,257	2.27
<b>1999</b>		3,579,929		2,463,597	1,116,332	215,000	409,391	624,391	1.79
<b>2000</b>		3,936,337		2,576,864	1,359,473	350,000	494,206	844,206	1.61
<b>2001</b>		4,263,107		3,203,080	1,060,027	370,000	471,301	841,301	1.26
<b>2002</b>		4,051,015		3,030,959	1,020,056	390,000	453,666	843,666	1.21
<b>2003</b>		4,183,015		3,539,690	643,325	405,000	417,559	822,559	0.78

For years in which "revenue bond coverage" is less than 1.00, the shortfall was made up either by use of net assets or by transfer in.

(a) "Gross Revenue" equals total operating revenues plus interest income.

(b) "Direct Operating Expenses" equal total operating expenses net of depreciation and amortization expense.

SOURCE: City of Muskegon Finance Department

**City of Muskegon**

**RATIO OF NET BONDED DEBT TO ASSESSED VALUE**

**NET BONDED DEBT PER CAPITA**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value (1)</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Payable From Enterprise Revenues and Assessments</b>	<b>Net Bonded Debt</b>	<b>Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
<b>1994</b>	40,283	\$ 521,288,400	\$ 37,572,438	\$ 1,195,831	\$ 27,988,995	\$ 8,387,612	1.6%	\$ 208.22
<b>1995</b>	40,283	533,369,306	35,971,939	1,267,264	27,059,441	7,645,234	1.4%	189.79
<b>1996</b>	40,283	574,549,100	37,014,462	1,946,649	27,111,865	7,955,948	1.4%	197.50
<b>1997</b>	40,283	603,484,900	35,001,068	2,199,516	26,050,247	6,751,305	1.1%	167.60
<b>1998</b>	40,283	614,982,400	35,483,833	1,918,272	25,786,747	7,778,814	1.3%	193.10
<b>1999</b>	40,283	676,710,100	39,169,600	2,407,563	30,160,507	6,601,530	1.0%	163.88
<b>2000</b>	40,283	724,062,800	36,697,731	2,974,730	27,387,710	6,335,291	0.9%	157.27
<b>2001</b>	40,105	812,923,900	32,429,103	981,748	21,797,203	9,650,152	1.2%	240.62
<b>2002</b>	40,105	826,017,850	34,024,914	250,798	19,623,014	14,151,102	1.7%	352.85
<b>2003</b>	40,105	839,041,112	31,778,823	153,955	19,266,923	12,357,945	1.5%	308.14

(1) See exhibit titled "Assessed and Estimated Actual Value of Taxable Property".

SOURCE: City of Muskegon Finance Department and Muskegon County Equalization Department

**City of Muskegon**

**PROPERTY VALUES, CONSTRUCTION ACTIVITY AND BANK DEPOSITS**

**Last Ten Fiscal Years**

Year	New Construction				Repairs and Additions				Estimated Property Values			
	Industrial and Commercial		Residential		Industrial and Commercial		Residential		Total	Value	Residential	Non Residential
	Permits	Value	Permits	Value	Permits	Value	Permits	Value				
<b>1994</b>	8	\$ 2,348,000	58	\$ 3,371,745	106	\$ 5,192,226	654	\$ 2,291,475	826	\$ 13,203,446	\$ 385,280,800	\$ 547,488,400
<b>1995</b>	12	2,477,434	30	5,855,005	82	5,855,005	846	2,714,612	970	16,902,056	400,193,800	557,819,012
<b>1996</b>	10	11,208,589	30	2,540,100	76	8,460,306	895	2,371,656	1011	24,580,651	420,036,700	592,273,500
<b>1997</b>	9	6,081,963	24	2,266,142	105	14,564,170	705	2,658,001	843	25,570,276	440,078,000	628,265,800
<b>1998</b>	12	8,192,401	56	4,598,023	186	10,159,958	729	2,319,745	983	25,270,127	475,647,400	610,081,800
<b>1999</b>	11	3,659,209	53	4,386,560	136	8,660,948	686	2,206,456	886	18,913,173	526,466,800	661,855,000
<b>2000</b>	16	11,827,076	70	6,853,824	124	18,374,394	649	2,439,629	859	39,494,923	591,609,562	856,516,038
<b>2001</b>	8	3,736,102	37	14,035,551	101	5,021,890	747	3,259,006	893	26,052,549	675,090,378	950,757,422
<b>2002</b>	6	3,696,711	72	17,619,093	125	14,849,768	805	3,539,602	1008	39,705,174	718,824,700	933,211,000
<b>2003</b>	4	1,720,000	45	4,921,925	154	10,695,552	858	4,032,068	1061	21,369,545	776,050,245	912,715,275

**NOTE: Due to bank mergers, local bank deposit information is not readily available.**

SOURCE: City Inspections Department and City Assessor's Office/Muskegon County Equalization Department

City of Muskegon

DEMOGRAPHIC STATISTICS

December 31, 2003

**DATE OF INCORPORATION**

As Village	July 8, 1861
As City of Fourth Class	March 27, 1869
As Home Rule City	October 6, 1919

**FORM OF GOVERNMENT**

Commission-Manager

**AREA**

18.99 square miles

**MILES OF STREETS**

197.96 miles

**NUMBER OF STREETLIGHTS**

3,123

**FIRE PROTECTION**

Number of stations	3
Number of firefighter and officer positions	42

**POLICE PROTECTION**

Number of stations	1
Number of sworn officer positions	83

**WATER SERVICE**

Number of consumers	14,917
Average daily consumption	9,453,000 gallons per day
Water mains	193.66

**SEWER SERVICE**

Sanitary sewers	175.33 miles
Storm sewers	178.57 miles

**LEISURE SERVICES**

Number of parks	64 (701 acres)
Lake Michigan beaches	119 acres

**FULL-TIME POSITIONS**

Classified service	275
Exempt (management)	19
Total	294

**ELECTIONS**

Number of registered voters	23,904
Number of votes cast:	
Last general election	4,325
Last city election	4,325
Percentage of registered voters voting:	
Last general election	18%
Last city election	18%

City of Muskegon

DEMOGRAPHIC STATISTICS

December 31, 2003

**POPULATION**

2000 Census	40,105
1990 Census	40,283
1980 Census	40,823
1970 Census	44,631

**MEDIAN AGE**

32.3

**AGE DISTRIBUTION**

Under 18 years	10,340
18-65 years	24,788
65 years and over	4,977

**RACE AND ORIGIN**

White	24,309
Black	12,701
American Indian, Eskimo, or Aleut	418
Asian or Pacific Islander	195
Hispanic	1,078
Other	1,404

**HOUSING UNITS**

Total units	16,019
Owner occupied	8,070
Renter occupied	6,700
Vacant	1,249

**HOUSEHOLDS BY TYPE**

Total households	14,569
Families	8,535
Nonfamily households	6,034

**ESTIMATED HOUSEHOLD INCOME**

\$75,000 or more	5.0%
\$50,000 to \$74,999	8.0%
\$35,000 to \$49,999	13.0%
\$25,000 to \$34,999	18.0%
\$15,000 to \$24,999	22.0%
\$7,500 to \$14,999	26.0%
Under \$7,500	8.0%

City of Muskegon

DEMOGRAPHIC STATISTICS

December 31, 2003

**FIVE LARGEST EMPLOYERS**

Mercy General Hospital	2,400
Hackley Hospital	1,300
Muskegon County	1,300
Muskegon Public Schools	1,000
Sappi Paper Company	550

**OCCUPATION**

White Collar	48.0%
Blue Collar	52.0%

**UNEMPLOYMENT RATE (CITY)**

1994	9.3%
1995	8.6%
1996	8.1%
1997	6.6%
1998	5.8%
1999	6.2%
2000	6.1%
2001	9.3%
2002	12.1%
2003	13.9%

**EDUCATION LEVEL**

High School Diploma or Higher	68.7%
College Degree or Higher	8.2%

**MUSKEGON PUBLIC SCHOOL ENROLLMENT**

1996-1997	7,022
1997-1998	7,116
1998-1999	6,954
1999-2000	6,788
2000-2001	6,761
2001-2002	6,603
2002-2003	6,327
2003-2004	6,088

SOURCES: City of Muskegon Operating Departments, U.S. Census Bureau, Muskegon Area Intermediate School District, Michigan Department of Career Development.

**City of Muskegon  
LABOR AGREEMENTS  
December 31, 2003**

	<u>Expiration</u>	<u>Members</u>
Muskegon Firefighters AFL-CIO Local #370 Firefighters	12/31/2004	41
Command Officers Association of Michigan Police Command Officers	12/31/2006	14
Police Officers' Labor Council Police Patrol Officers	12/31/2003	63
Service Employees International Union Parks & DPW Employees	12/31/2004	86
Clerical Employees	12/31/2005	28

SOURCE: City of Muskegon Finance Department

**City of Muskegon**

**SCHEDULE OF INSURANCE IN FORCE**

**December 31, 2003**

Type of Coverage	Policy Period		Annual Premium	Details of Coverage	Liability Limits
	From	To			
<b><u>Coverages Provided Through the Michigan Municipal Risk Management Authority (MMRMA):</u></b>					
			<b>\$ 856,599</b>	<b>Total Premium for all MMRMA Coverages</b>	
<b>AUTO FLEET (PHYSICAL)</b>	3/1/2003	2/29/2004		Auto and Fleet Insurance	Comprehensive: Actual Cash Value/\$1000 Deductible Collision: Actual Cash Value/\$1,000 Deductible
<b>BOILER &amp; MACHINERY</b>	3/1/2003	2/29/2004		Boiler and Machinery	\$500,000 Limit per Accident
<b>EMPLOYEE BLANKET BOND</b>	3/1/2003	2/29/2004		Honesty & Faithful Performance	Honesty Blanket Bond: \$400,000 Faithful Performance Bond: \$100,000
<b>CITY PROPERTY</b>	3/1/2003	2/29/2004		Fire and building contents	Building and contents valued at \$56,867,715; \$5,000 deductible
<b>LIABILITY COVERAGES</b>	3/1/2003	2/29/2004		General Liability Police Liability Auto Liability Public Officials' Liability	\$15,000,000 per occurrence; \$75,000 retention
<b>INLAND MARINE</b>	3/1/2003	2/29/2004		City owned contractors equipment	Contractors Equipment \$1,600,850
<b><u>Coverages Provided Through Other Insurers:</u></b>					
<b>FIDUCIARY LIABILITY</b> Stewart Smith/McAlear Associates (Jerviss Fethke)	3/1/2003	2/29/2004	6,425	Fiduciary Liability Coverage for Members of Retirement System Boards	\$1,000,000 per occurrence; \$10,000 deductible
<b>WORKERS' COMPENSATION</b> Michigan Municipal League Workers' Compensation Fund	7/1/2003	6/30/2004	269,206	Work related injuries and illnesses	As determined by state law
<b>STORAGE TANK LIABILITY</b> Zurich Insurance Co. (IBEX)	2/22/2003	2/21/2004	2,794	City owned storage tanks	\$1,000,000 each occurrence \$1,000,000 annual aggregate

SOURCE: City of Muskegon Finance Department

**City of Muskegon**  
**SALARIES OF PRINCIPAL OFFICIALS**  
**December 31, 2003**

Mayor	\$ 7,500
City Commissioners	6,000
City Manager	108,414

<b>Range I</b>	<b>62,910 - 83,381</b>
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Assistant City Manager  
Finance Director  
Police Chief  
Public Works Director

<b>Range II</b>	<b>58,097 - 77,463</b>
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Community & Economic Development Director  
Fire Chief  
Leisure Services Director

<b>Range II-B</b>	<b>55,658 - 74,140</b>
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City Engineer/Deputy Director of Public Works

<b>Range III</b>	<b>53,220 - 70,817</b>
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Assistant Police Chief  
City Clerk  
City Treasurer  
Information Systems Director  
Civil Service/Personnel Director

<b>Range IV</b>	<b>45,844 - 61,125</b>
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Assistant Finance Director  
Assistant City Engineer  
Deputy Director of Community & Economic Development  
Neighborhood & Construction Services Director  
Income Tax Director

<b>Range V</b>	<b>43,878 - 58,507</b>
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Affirmative Action Director  
Community & Neighborhood Services Director  
Water Filtration Plant Supervisor

<b>Range VI</b>	<b>41,123 - 54,833</b>
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Building Official  
Project Engineer  
Superintendent of Public Works  
Superintendent of Public Utilities

SOURCE: City of Muskegon Finance Department

